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DEPARTMENTS OF COMMERCE, JUSTICE, STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

NINETY-NINTH CONGRESS

SECOND SESSION

ON

H.R. 5161

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENTS OF COMMERCE, JUSTICE, STATE, THE JUDICIARY, AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1987, AND FOR OTHER PURPOSES

(PART 1—Pages 1–808)

Arms Control and Disarmament Agency
Board for International Broadcasting
Department of Commerce
Department of Justice
Department of State
Federal Trade Commission
International Trade Commission
Japan-United States Friendship Commission
Marine Mammal Commission
National Oceanic and Atmospheric Administration
Small Business Administration
U.S. Commission on Civil Rights

Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE
58-222 O WASHINGTON : 1987

For sale by the Superintendent of Documents, Congressional Sales Office
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DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

THURSDAY, MARCH 6, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:30 a.m., in room S-146, the Capitol, Hon. Warren Rudman (chairman) presiding.

Present: Senators Rudman, Specter, and Bumpers.

SMALL BUSINESS ADMINISTRATION

STATEMENT OF ROBERT A. TURNBULL, ASSOCIATE DEPUTY ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION

ACCOMPANIED BY:
HARRY S. CARVER, COMPTROLLER
EDWIN T. HOLLOWAY, ASSOCIATE ADMINISTRATOR FOR FINANCE AND INVESTMENT

BUDGET REQUEST

Senator RUDMAN. The subcommittee will come to order.

This morning, we're going to begin a series of hearings to review the budget requests of the departments and agencies under the jurisdiction of the subcommittee. This is the first hearing, this year, of the subcommittee.

The President is requesting almost $16 billion in new budget authority for this subcommittee, an increase of $4 billion over the enacted level and $4.5 billion over the Gramm-Rudman-Hollings sequestration level.

Obviously, something will have to give if we are to fashion a responsible bill that meets the concerns of Congress and addresses the substantial enhancements being proposed by the administration for the Justice Department and the State Department and its related agencies.

Our first witness this morning is Robert A. Turnbull, Associate Deputy Administrator for the Small Business Administration. It's nice for me, personally, to start out the hearings with a native of New Hampshire. I hope you will feel free to summarize your statement so we'll have time for questions.

Mr. TURNBULL. Thank you, Mr. Chairman. It's a pleasure for me to be here testifying before you today.

Senator RUDMAN. You might introduce, for the record, those with you.

Mr. TURNBULL. Yes. With me today, on my left, is Harry Carver, our Comptroller, and on the right is Ed Holloway, our Associate Administrator for Finance and Investment.

SPECIFIC BUDGET ITEMS

The request consists of budget authority totalling $2.8 billion for four specific items. Business loan and investment fund capital appropriation of $2.522 million. Surety bond guarantees revolving fund capital appropriation: $17 million. Pollution control fund for $21 million. Salaries and expenses direct appropriation of $212 million.

No new authority is requested for two of the five revolving funds in fiscal year 1987. The Disaster Loan Fund does not require a direct appropriation. The unobligated balance, carried forward from fiscal year 1986 as well as anticipated receipts in fiscal year 1987 will be sufficient for the estimated needs. The Lease Guarantee Revolving Fund also has an unobligated balance for fiscal year 1986 and requires no direct appropriations.

REVIEW OF ADMINISTRATION BUDGET

Mr. Chairman, I would like to review and highlight the administration's budget proposals, if I may.

First, it should be pointed out that the administration does not propose to eliminate SBA. The budget proposal would transfer the Agency to the Commerce Department, where it would continue as an entity and continue to offer valuable and important assistance to small businesses

To be sure the budget does propose to eliminate the Agency's credit activities, but important functions and programs would remain. The budget also proposes to transfer SBA's loan portfolio to the Treasury Department for ultimate collection and liquidation.

These proposals, I believe, are desirable and necessary as part of the administration's objectives of limiting the size and cost of government, of reducing Federal credit activities and of reducing the budget deficit.

Small businesses have an important stake in lower deficits and lower government spending. Lower deficits and lower spending boosts the chances of a continuing economic expansion, of still lower interest rates and of expanding pools of capital available to small business borrowers.

The SBA budget proposals thus would have minimal direct adverse impact on small businesses and a distinct major beneficial effect on small entrepreneurs.

The private sector today, I believe, is in an excellent position to take up any slack resulting from the elimination of SBA's credit activities. More and more banks today are seeking out small business borrowers, and banks have ample funds to lend.

AVAILABILITY OF VENTURE CAPITAL

Even with SBA today, more than 99 percent of all small businesses obtain their financing without Federal assistance. The number of private venture capital companies have increased significantly over the last several years. The pool of venture capital today is increasingly growing.

Flood insurance is available to cover business and personal losses resulting from disasters. Management assistance for small firms is now available from an even widening group of private companies and local chambers of commerce. State governments, colleges, and universities are in a position to continue operating their small business development centers which have been created by SBA.

It seems clear then, that small businesses will continue to have available to them financial investment and management assistance presently supplied by SBA.

SBA FUNCTIONS TO CONTINUE

It is also important to note, Mr. Chairman, that important and needed small business functions will continue under the budget proposal.

The Office of Advocacy, which most small business owners consider the most important SBA function, will continue.

SBA's procurement program also will continue. SBA's procurement staff, each year helps direct billions of dollars of Federal contracts to thousands of capable small firms.

It is accurate to say, I believe, that the Procurement Assistance Program has, in dollar value, done more to help small businesses than SBA's financial and investment programs combined.

The Small Business Innovation Research Program, of special interest to you will, of course, continue to be supervised and coordinated by SBA. Also to be continued is SBA's minority business assistance efforts and the Service Corps of Retired Executives [SCORE] and [ACE], through which 12,000 volunteers counsel small business people on a one-on-one basis.

In conclusion, Mr. Chairman, let me repeat just what the fiscal year 1987 budget will do and will not do. It will not eliminate SBA. The most vitally needed SBA functions and programs will continue. SBA's Office of Advocacy will remain as it is today. Taxpayer's savings in this proposal, for fiscal 1987 are estimated at $1.4 billion and over a 3-year period, it would be $5.2 billion.

Thus, it would be helping the administration and the Congress to reach its goal of deficit reduction.

As the President's budget proposal aptly says, and I quote, "As a group, small businesses will benefit more from the administration's continuing efforts to stabilize financial markets, reduce inflation and interest rates and eliminate burdensome regulations than they will from direct Federal subsidies."

Thank you, Mr. Chairman. That concludes my remarks and I am willing to answer any questions that you may have.

[The prepared statement of Mr. Turnbull follows:]

SBA U.S. Small Business Administration Washington, DC 20416

PREPARED STATEMENT OF ROBERT A. TURNBULL

ASSOCIATE DEPUTY ADMINISTRATOR
SMALL BUSINESS ADMINISTRATION

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

MY TESTIMONY TODAY REVOLVES AROUND THE AGENCY'S FY 1987 BUDGET REQUEST. ACCOMPANYING ME ARE HARRY S. CARVER, COMPTROLLER, AND EDWIN T. HOLLOWAY, ASSOCIATE ADMINISTRATOR FOR FINANCE AND INVESTMENT.

FIRST, LET ME SUMMARIZE THE BUDGET REQUEST. IT CONSISTS OF BUDGET AUTHORITY TOTALING $2.8 BILLION FOR THE FOLLOWING FOUR ITEMS:

(1) BUSINESS LOAN AND INVESTMENT FUND CAPITAL APPROPRIATION: $2,522 MILLION.

(2) SURETY BOND GUARANTEES REVOLVING FUND CAPITAL APPROPRIATION: $17 MILLION.

(3) POLLUTION CONTROL: $21 MILLION.

(4) SALARIES AND EXPENSES DIRECT APPROPRIATION: $212 MILLION.

BEFORE DISCUSSING THESE SPECIFIC BUDGET ITEMS, I WOULD LIKE TO REVIEW AND HIGHLIGHT THE ADMINISTRATION'S BUDGET PROPOSALS FOR THE FISCAL YEAR. FIRST, IT SHOULD BE POINTED OUT THAT THE

ADMINISTRATION DOES NOT PROPOSE TO ELIMINATE SBA. THE BUDGET PROPOSAL WOULD TRANSFER THE AGENCY TO THE COMMERCE DEPARTMENT, WHERE IT WOULD CONTINUE TO OFFER VALUABLE AND IMPORTANT ASSISTANCE TO SMALL BUSINESS. TO BE SURE, THE BUDGET PROPOSES TO ELIMINATE THE AGENCY'S CREDIT ACTIVITIES, BUT IMPORTANT PRESENT FUNCTIONS AND PROGRAMS WOULD REMAIN INTACT. THE BUDGET ALSO PROPOSES TO TRANSFER SBA'S LOAN PORTFOLIO TO THE TREASURY DEPARTMENT FOR COLLECTION AND LIQUIDATION. THE PROPOSAL WILL RESULT IN $1.4 BILLION SAVINGS IN FY 1987 AND $5.2 BILLION OVER THE NEXT THREE YEARS.

THESE PROPOSALS ARE DESIRABLE AND NECESSARY AS PART OF THE ADMINISTRATION'S OBJECTIVES OF LIMITING THE SIZE AND COST OF GOVERNMENT, OF REDUCING FEDERAL CREDIT ACTIVITY AND OF REDUCING THE BUDGET DEFICIT. CONGRESS ITSELF WISHES TO ACHIEVE SIMILAR OBJECTIVES. SO DO THE AMERICAN PEOPLE.

AS THE ADMINISTRATION'S BUDGET APTLY SAYS, "AS A GROUP SMALL BUSINESSES WILL BENEFIT MORE FROM THE ADMINISTRATION'S CONTINUING EFFORTS TO STABILIZE FINANCIAL MARKETS, REDUCE INFLATION AND INTEREST RATES, AND ELIMINATE BURDENSOME REGULATIONS THAN THEY WILL FROM DIRECT FEDERAL SUBSIDIES. MORE THAN 99 PERCENT OF SMALL BUSINESSES ALREADY OBTAIN FINANCING WITHOUT FEDERAL ASSISTANCE."

SMALL BUSINESSES HAVE AN IMPORTANT STAKE IN LOWER DEFICITS AND REDUCED FEDERAL SPENDING. LOWER DEFICITS AND LOWER SPENDING BOOST THE CHANCES OF A CONTINUING ECONOMIC EXPANSION, OF STILL LOWER INTEREST RATES AND OF AN EXPANDING POOL OF CAPITAL AVAILABLE FOR SMALL BUSINESS BORROWERS.

THE SBA BUDGET PROPOSALS THUS WOULD HAVE A MINIMAL DIRECT ADVERSE EFFECT ON THE SMALL BUSINESS COMMUNITY AND A DISTINCTLY MAJOR BENEFICIAL EFFECT ON OUR SMALL ENTREPRENEURS.

THE PRIVATE SECTOR TODAY IS IN EXCELLENT POSITION TO TAKE UP ANY SLACK RESULTING FROM ELIMINATION OF SBA'S LENDING, INVESTMENT AND MOST MANAGEMENT ASSISTANCE ACTIVITIES. FOR EXAMPLE, MORE AND MORE BANKS ARE SEEKING OUT SMALL BUSINESS CUSTOMERS, AND BANKS TODAY HAVE PLENTY OF FUNDS TO LEND. THE NUMBER OF VENTURE CAPITAL COMPANIES HAS INCREASED SIGNIFICANTLY IN RECENT YEARS, AND THE POOL OF VENTURE CAPITAL CONTINUES TO GROW. PRIVATE INSURANCE AND FEDERAL FLOOD INSURANCE ARE AVAILABLE TO COVER BUSINESS AND PERSONAL LOSSES IN DISASTERS; MOREOVER, THE FEDERAL GOVERNMENT SHOULD NOT BE IN THE BUSINESS OF PROVIDING FOR LOSSES RESULTING FROM NORMAL BUSINESS RISKS.

MANAGEMENT ASSISTANCE TO EXISTING AND PROSPECTIVE SMALL BUSINESS OWNERS IS TODAY AVAILABLE FROM AN EVER-WIDENING GROUP OF PRIVATE COMPANIES AND LOCAL CHAMBERS OF COMMERCE. MORE AND MORE TRADE ASSOCIATIONS, ACCOUNTING FIRMS, LARGE CORPORATIONS, EDUCATIONAL INSTITUTIONS AND CONSULTING FIRMS ARE OFFERING A WIDE ARRAY OF SMALL BUSINESS ASSISTANCE. THOUSANDS OF LOCAL CHAMBERS OF COMMERCE, FOR EXAMPLE, TODAY HAVE SET UP SMALL BUSINESS RESOURCE CENTERS, WHICH ARE OF INCREASING HELP TO SMALL BUSINESSES. STATE GOVERNMENTS AND COLLEGES AND UNIVERSITIES ARE IN POSITION TO CONTINUE OPERATING THEIR SMALL BUSINESS DEVELOPMENT CENTERS.

IT SEEMS CLEAR, THEN, THAT SMALL BUSINESSES WILL CONTINUE TO HAVE AVAILABLE THE FINANCIAL, INVESTMENT AND MANAGEMENT ASSISTANCE HERETOFORE SUPPLIED BY SBA.

IT ALSO IS VERY PERTINENT TO KEEP IN MIND THAT THE MOST IMPORTANT AND NEEDED SBA PROGRAMS WILL CONTINUE:

-- THE OFFICE OF ADVOCACY, WHICH MOST SMALL BUSINESS OWNERS RIGHTLY CONSIDER THE MOST VITAL OF SBA ACTIVITIES, WILL CONTINUE TO SPEAK UP FOR SMALL BUSINESS IN AND OUT OF

GOVERNMENT. THE OFFICE WILL CONTINUE TO BE HEADED BY A PRESIDENTIALLY-APPOINTED CHIEF COUNSEL.

-- SBA'S PROCUREMENT PROGRAM ALSO WILL CONTINUE. THIS PROGRAM, IN MY VIEW, HAS SOMETIMES BEEN OVERLOOKED, BUT YET IT HAS DONE -- AND WILL CONTINUE TO DO -- A MOST IMPORTANT JOB FOR AN INCREASING NUMBER OF SMALL FIRMS WISHING TO DO BUSINESS WITH THE GOVERNMENT. OUR PROCUREMENT SECTION EACH YEAR HELPS DIRECT BILLIONS OF DOLLARS IN FEDERAL PROCUREMENT TO THOUSANDS OF CAPABLE SMALL FIRMS, AND OUR BREAKOUT PROCUREMENT CENTER REPRESENTATIVES STATIONED AT KEY MILITARY BASES HAVE SAVED MILLIONS OF DOLLARS BY HELPING DIRECT SPARE PARTS CONTRACTS TO SMALL COMPANIES. THESE PROCUREMENT EFFORTS WILL CONTINUE. I THINK IT IS ACCURATE TO SAY THAT SBA'S PROCUREMENT PROGRAM -- WHICH I REPEAT WILL CONTINUE -- HAS IN DOLLARS DONE MORE TO HELP SMALL BUSINESS THAN OUR FINANCIAL AND INVESTMENT PROGRAMS COMBINED.

-- SO WILL THE SMALL BUSINESS INNOVATION RESEARCH PROGRAM, UNDER WHICH 12 MAJOR FEDERAL AGENCIES MUST DIRECT AN INCREASING SHARE OF THEIR RESEARCH AND DEVELOPMENT CONTRACTS TO SMALL HI-TECH COMPANIES. SO FAR, SUCH SMALL FIRMS HAVE RECEIVED ABOUT $400 MILLION IN R & D THROUGH THE PROGRAM, AND IT'S EXPECTED THAT SIMILAR HI-TECH FIRMS WILL RECEIVE ANOTHER $400 MILLION THIS FISCAL YEAR. I KNOW THIS PROGRAM IS OF SPECIAL INTEREST TO YOU, MR. CHAIRMAN, AND MANY OTHER MEMBERS OF THE SENATE AND HOUSE.

-- ALSO TO BE CONTINUED IS SBA'S PROGRAM TO DIRECT SPECIAL ASSISTANCE TO SMALL FIRMS OWNED BY SOCIALLY AND ECONOMICALLY DISADVANTAGED INDIVIDUALS. SBA'S SO-CALLED 8(A) PROGRAM IN FY 1985 DIRECTED ABOUT $3 BILLION IN FEDERAL WORK TO COMPANIES, AND THE 8(A) PROGRAM WILL CONTINUE.

-- THE SERVICE CORPS OF RETIRED EXECUTIVES (SCORE) AND THE ACTIVE CORPS OF EXECUTIVES (ACE) ALSO WILL CONTINUE. THESE PROGRAMS ARE OF WIDE BENEFIT TO MANY, MANY SMALL BUSINESSES, ESPECIALLY THOSE FACING SOME DIFFICULTIES. SCORE AND ACE VOLUNTEERS, ABOUT 12,000 STRONG, OFFER COUNSELING TO SMALL ENTREPRENEURS, ONE ON ONE.

AS I MENTIONED, SBA'S PORTFOLIO MANAGEMENT FUNCTION WOULD BE TRANSFERRED TO THE DEPARTMENT OF THE TREASURY, EFFECTIVE OCTOBER 1, TO CARRY OUT THE COLLECTION AND LIQUIDATION OF THE EXISTING LOAN PORTFOLIO. THOSE PARTS OF THE AGENCY NOT INVOLVED IN THE COMMERCE AND TREASURY TRANSFERS WOULD BE ELIMINATED THROUGH AN ORDERLY PHASEOUT. IT IS ANTICIPATED THAT ELIMINATION OF THESE FUNCTIONS AND OFFICES WILL BE COMPLETED BY DECEMBER 31. THEREFORE, THIS BUDGET SUBMISSION REQUESTS FUNDS FOR SALARIES AND EXPENSES TO ACCOMPLISH THIS PURPOSE.

NO NEW AUTHORITY IS REQUESTED FOR TWO OF THE FIVE REVOLVING FUNDS FOR FY 1987. THE DISASTER LOAN FUND DOES NOT REQUIRE A DIRECT APPROPRIATION. THE UNOBLIGATED BALANCE CARRIED FORWARD FROM FY 1986, AS WELL AS ANTICIPATED RECEIPTS IN FY 1987 WILL BE SUFFICIENT TO MEET ESTIMATED NEEDS. THE LEASE GUARANTEE REVOLVING FUND ALSO HAS UNOBLIGATED BALANCES FROM FY 1986 AND REQUIRES NO DIRECT APPROPRIATION. LIQUIDATION FUNCTIONS RELATED TO THESE ACTIVITIES WOULD BE TRANSFERRED TO THE DEPARTMENT OF THE TREASURY. THESE AMOUNTS REQUESTED REFLECT CURRENT LAW. THE ADMINISTRATION PROPOSAL TO TRANSFER WHEN ENACTED WILL REQUIRE REVISED TRANSMITTAL OF ESTIMATES.

NOW, MR. CHAIRMAN, LET ME DISCUSS THE SPECIFIC APPROPRIATION ITEMS.

BUSINESS LOAN AND INVESTMENT FUND

WE ARE REQUESTING A CAPITAL APPROPRIATION OF $2,522 MILLION FOR

THE BUSINESS LOAN AND INVESTMENT FUND OF WHICH $2.3 BILLION WILL BE USED TO PURCHASE THE FFB PORTFOLIO, WHICH CONSISTS OF SBIC AND 503 DEBENTURES. THIS COMPARES WITH $162 MILLION OF ADDITIONAL CAPITAL PROVIDED IN FY 1986 ADJUSTED FOR GRAMM-RUDMAN-HOLLINGS. THIS REQUEST PROVIDES FOR THE CONTINUING EXPENSES RELATED TO MAINTAINING THE AGENCY'S BUSINESS LOAN PORTFOLIO, AS WELL AS ANTICIPATED DISBURSEMENTS TO HONOR PRIOR COMMITMENTS UNDER THE DIRECT AND GUARANTY LOAN PROGRAMS. THIS REQUEST ALSO PROPOSES THE ELIMINATION OF ALL NEW DIRECT AND GUARANTY LOAN APPROVALS.

SURETY BOND GUARANTEES REVOLVING FUND

WE ARE REQUESTING $17 MILLION IN CAPITAL FOR THE SURETY BOND GUARANTEE REVOLVING FUND AS COMPARED TO $7 MILLION IN FY 1986. WE ARE PROPOSING LEGISLATION TO TRANSFER ITS PORTFOLIO TO THE DEPARTMENT OF THE TREASURY AND WILL PROVIDE FOR THE CONTINUING EXPENSES OF THE FUND, CONSISTING PRIMARILY OF THE PAYMENT OF CLAIMS RESULTING FROM DEFAULTED BONDS GUARANTEED IN PRIOR YEARS.

POLLUTION CONTROL EQUIPMENT CONTRACT GUARANTEE REVOLVING FUND

WE ARE REQUESTING A CAPITAL APPROPRIATION OF $21 MILLION AS COMPARED TO NO REQUEST IN FY 1986. THIS REQUEST WILL PROVIDE FUNDS FOR THE LIQUIDATION OF DEFAULTED POLLUTION CONTRACTS. AS PROPOSED, NO NEW BOND GUARANTEES WILL BE APPROVED AND THE PORTFOLIO MANAGEMENT FUNCTION WILL BE TRANSFERRED TO THE DEPARTMENT OF THE TREASURY FOR LIQUIDATION OF THE EXISTING PORTFOLIO.

SALARIES AND EXPENSES

A DIRECT APPROPRIATION OF $212 MILLION IS REQUESTED FOR FY 1987 FOR SALARIES AND EXPENSES OF THE SMALL BUSINESS ADMINISTRATION.

INCLUDED IN THIS AMOUNT IS $10 MILLION FOR DISASTER ASSISTANCE ACTIVITIES.

THE REQUEST REFLECTS THE ELIMINATION OF SOME ACTIVITIES OF THE AGENCY AND THE TRANSFER OF THE REMAINING FUNCTIONS TO THE DEPARTMENT OF THE TREASURY AND THE DEPARTMENT OF COMMERCE. THIS REQUEST REPRESENTS THE TOTAL DIRECT APPROPRIATION NEEDED TO PHASE-OUT THE ACTIVITIES TO BE TERMINATED, AS WELL AS FUND THE REMAINING FUNCTIONS. OF THIS AMOUNT, $38,916,000 WILL BE REQUESTED WITHIN THE DEPARTMENT OF COMMERCE'S BUDGET, AND $78,022,000 WILL BE REQUESTED WITHIN THE DEPARTMENT OF THE TREASURY'S BUDGET, INCLUDING $7 MILLION FOR DISASTER SERVICING FUNCTIONS. THE REMAINING $95,362,000 WILL BE NECESSARY TO FUND FIRST QUARTER ACTIVITIES TO PROPERLY PHASE-OUT OPERATIONS.

MR. CHAIRMAN, THIS COMPLETES MY BRIEF REVIEW OF THE SMALL BUSINESS ADMINISTRATION'S BUDGET REQUEST FOR FY 1987. WE WILL BE PLEASED TO ANSWER ANY QUESTIONS THE COMMITTEE MAY HAVE.

RECOGNITION OF MR. SANDERS

Senator RUDMAN. Thank you very much, Mr. Turnbull.

We probably won't have a great many questions since other members of the subcommittee are at other hearings this morning and I don't expect any more to be able to attend.

I recognize that you are here as a spokesman for the administration's position, so we do not intend to kill the messenger that brought the bad news.

I must say that I am sorry to see Mr. Sanders leave and I think this subcommittee has had a very high degree of confidence in him. He had called me last week to just inform me that he would prefer not to testify because he is leaving and would rather have someone else in the Agency come and I can certainly understand that.

The President's proposal for fiscal year 1987 is quite similar to last years proposal. There are some differences, but the key features are pretty similar.

PROPOSALS TO PRESERVE SBA

In the deliberations last year, the Senate Republican leadership, the administration, Senator Weicker, Chairman of the Small Business Committee, and members of this committee, struck an agreement which would have preserved the independent status of the SBA, preserved its core programs and came up with about $2.5 billion in savings for fiscal year 1986 to 1988.

The details of that compromise were offered and adopted as amendments to S-408 on July 16, 1985, in the Senate and they passed by a vote of 94 to 3.

Now that compromise was reached after very extensive deliberations between the parties I've mentioned and it was my understanding, which I confirmed, that the 3-year package that OMB Director Stockman negotiated with the Chairman of the Small Business Committee, Senator Weicker and others, was known to be a 3-year deal.

Question, Mr. Turnbull. Why did the administration walk away from the 3-year deal it made with the Congress?

Mr. TURNBULL. Well, Mr. Chairman, I can't really speak to any discussions between the former Director of OMB and the Chairman of the Senate Small Business Committee.

Senator RUDMAN. Let me put it another way then. Don't you think there is some binding nature of agreements made between the administration and Congress? Everything we did last year, we did based upon that agreement.

Mr. TURNBULL. I think that is probably a question that you would have to put to the folks down at the White House, Mr. Chairman. I was not a party to that agreement.

LOSS OF INDEPENDENT FUNCTIONS OF SBA

Senator RUDMAN. I think we could say, without fear of contradiction, that although you correctly state that many of the functions of the Small Business Administration will remain the agency would disappear under this proposal, as an independent agency.

Mr. TURNBULL. Well, the agency would be an independent entity within the Department of Commerce.

Senator RUDMAN. Responsible to the Secretary of Commerce?

Mr. TURNBULL. Correct.

Senator RUDMAN. And the loan activities responsible to the Secretary of Treasury?

Mr. TURNBULL. The loan portfolio would be transferred to the Treasury Department.

Senator RUDMAN. But, in fact, there would no longer be a Small Business Administration, as it is known today, as truly an independent agency responsible, if you will, to the President and the Congress.

Mr. TURNBULL. There would be a Small Business Administration headed by an administrator who would, by virtue of his rank, be an Under Secretary of Commerce. That Under Secretary would report to the Secretary of Commerce, of course.

FFB PURCHASE

Senator RUDMAN. Now, the request includes a little over $2.3 billion in new budget authority to purchase section 503 and SBIC loan assets now held by the Federal Financing Bank. Then these assets would be sold on the private market.

Why engage in this paper transfer between Federal agencies which tends to have some problems in terms of budgetary implications? The administration is saying that the SBA's portfolio ought to be transferred to the Treasury on October 1. Why not give the FFB the authority? We can do that, to sell the loans, without this artificial buy out and this transfer which tends to muddy up the fiscal waters. Can you explain that one because we don't really understand why we're doing it this way. It seems there's an easier way and we picked the more difficult way.

Mr. TURNBULL. Mr. Chairman, it's a bookkeeping function, for the most part. Basically the portfolio would be purchased from the Federal Financing Bank, would then be transferred to another section of the Treasury Department where it would be liquidated, sold and collected.

Senator RUDMAN. It certainly could be done the other way, just as easily, with different budgetary implications. The essence of what's going to happen will be the same under either of these so-called bookkeeping methods, is that not true?

Mr. TURNBULL. I don't know what the authorities of the FFB are.

Senator RUDMAN. Well, assume they have the authority, assume that Congress gave them the authority.

Mr. TURNBULL. If the FFB had the authority, I am sure they could sell the portfolio.

SALE OF ASSETS

Senator RUDMAN. Now you propose to sell the entire portfolio of $9.2 billion over 4 years with a yield of $2.7 billion to the Treasury. How will the loan sale occur? Will the borrower be offered the first opportunity to buy up the loan? Will they be available for sale on an individual basis or will they be aggregated?

Mr. TURNBULL. That's a hard question to answer at this point. It's in the purview of the Treasury Department. They presently have a task force together and are considering various options. Any of the options that you mentioned are a possibility, including offering the loan back to the borrower for sale at a given rate.

The numbers—the amount of revenue that you will see in the budget proposal is what I believe to be a conservative estimate based on varying segments of the portfolio and its determined loss rate.

I think that the loans will bring whatever the market will bear. The question as to how the Treasury will go about selling off these loans is something that I don't think has been totally decided yet.

ESTIMATE ON YIELD FROM SALE

Senator RUDMAN. Well, your yield on this sale is $2.7 billion, or 29 percent of the face value of the portfolio as it is currently comprised. It seems to me the return is in the vicinity of 90 percent if you collect the loans in the usual fashion, unless we've got the figures wrong. Why do you come out with that figure, 29 percent? That seems pretty low.

Mr. TURNBULL. As I say, it's a conservative estimate. I think if you look at differing segments of the portfolio, you'll find that you can achieve differing revenues.

For instance, we have disaster loans, Mr. Chairman, that are made at 1 percent in our portfolio that still have a 30-year term. I can do a present value analysis of these particular loans and I think you'll find they'll be worth very little to any investment banker in the private sector.

We have other loans that I think would be worth an awful lot in the SBIC and the 503 area, particularly. These are loans or debentures we expect to get a lot more. The general business loans will have to be evaluated and as I said, this is not going to be a fire sale over at Treasury. They're going to get a good rate. They will get a market rate for these loans.

LOSS EXPERIENCE

Senator RUDMAN. What's the current loss rate on your loans generally, your guaranteed loans?

Mr. TURNBULL. Right now losses on guaranteed loans are 6.24 percent, which is up about one-half percent from last year.

Senator RUDMAN. And how about on other kinds of loans, direct and other ones?

Mr. TURNBULL. On the direct loan programs, we're experiencing a 16-percent actual loss rate and that's up over 1 percent from last year. Total Agency loans, the actual loss rate is 6.68 percent.

Senator RUDMAN. That's why I don't understand this estimate. Can you give me a little more information on it? I understand there will be some fees involved and so forth, but there is a tremendous difference from 29 percent to say 6, or 6½, or 7 percent. I mean I'm not sure we're going to do this, but if we do, the committee is going to have to make some assessments which are going to have some budgetary impact. This seems like a terribly low number to me.

Mr. TURNBULL. Let me explain something, Mr. Chairman, if I may. When we talk about loss rates, on the figures I just gave you, we are referring to actual loss rates.

Our estimate on what we will lose over the course of the entire portfolio if we stopped today and just liquidated it, but the total portfolio is 11 percent, but for direct loans, it's 20 percent. For guaranteed loans, it's 12 percent.

Senator RUDMAN. It would still show a yield averaging better than 70 to 75 percent.

Mr. TURNBULL. If it was collected, that's correct. We have varying interest rates and varied terms on our loans. Our loans vary greatly, the nature of the collateral that is involved, the type of liens we have. Many loans we have don't have any collateral whatsoever, no guarantees. These are small personal property loans made to homeowners during disasters.

The portfolio would have to be evaluated. Some careful study would have to be done and I think some research in the private market will have to be done.

Senator RUDMAN. You would agree that that figure could be subject to major change?

Mr. TURNBULL. The estimates that you see in the budget could be subject to major changes, yes.

Senator RUDMAN. If the Congress, in fact, reached other conclusions after testimony from the financial people who disagreed with that?

Mr. TURNBULL. Yes, absolutely and I think that the administration may find different values also.

SBIR PROGRAM

Senator RUDMAN. As you may know, I had a hearing earlier this week in New Hampshire on the SBIR program and we heard some remarkable testimony on the program from many people. I will not restate what I said at that hearing of the Small Business Committee, but it was quite apparent to me that the program is really exceeding our expectations.

There are problems with the program, but the main problem that we try to guard against, which, in fact, has not occurred, is that we haven't had any horror stories of Federal money being improperly spent. It's been well administered. In some cases, it may be the bureaucracy in the agencies has been too vigorous and they're treating a $50,000 Phase I grant like a $9 billion defense contract with all of the attendant bookkeeping requirements. This caused one extraordinary company, in New Hampshire, Kimball-Bissett of Wilton, to turn down two phase II grants. They just turned them down and said we don't want the $400,000. We don't want it because you're imposing requirements on us that we don't want to get our people used to complying with. I'll get to that at another time in another hearing, but I raise that only because—the whole question of these SBIR grants is that, although you do retain, technically, the SBA, within the Department of Commerce, the proposal does eliminate the Small Business Development Centers which are a crucial link in the program.

We've had some very good testimony from 40 different states that have had SBDC's that appear to be working.

Here's a government program, a relatively small amount of money, and it seems to be working. All our innovation comes from small companies, better than 90 percent of the patents, 90 percent of the technology, coming out of small companies and entrepreneural units, why are we doing this when we're trying to keep pace with Japan and West Germany in technology?

Mr. TURNBULL. Mr. Chairman, the SBIR Program is one that we consider our greatest success in the past couple of years. It has been a wonderful program. It has been one, as you well know, had a great deal of resistence in government prior to the passage of the legislation, which you were very instrumental in accomplishing. Since the passage of the legislation and since our first year in operation, I think Federal agencies are responding magnificently to the program. There are still some problems and I think the problem that you mentioned goes more to the fact that government paperwork ties entrepreneurs up in knots and that is something, of course, that this administration has been trying to address, but the SBIR Program, we think is a great success, we're continuing it. We want to see it continue to grow.

That the quality of the proposals that are coming in from small entrepreneurs are so good that the procuring agencies are telling us, there are items in here that we have never seen before.

Major corporations want to get their hands on these proposals because they think there are answers to problems that they have been researching for years.

SBDC PROGRAM

You know, companies like 3-M are interested in these proposals. I don't quite see the link between the SBDC's and the SBIR Program. The SBDC Program is, in fact, proposed for elimination. It's an outlay program and it's growing by leaps and bounds, Mr. Chairman.

Senator RUDMAN. What is its cost this year?

Mr. TURNBULL. The cost this year is $28 million, Harry?

Mr. CARVER. $28 million in 1984; $35 million this year.

Senator RUDMAN. That's probably one coat of paint on an MX missile.

Mr. TURNBULL. This program started out in 1977 costing about $390,000, Mr. Chairman, and it's going to cost $35 million this year and it is growing. I mean, today we have 44 SBDC's and I am sure there will be an increase to at least 1 SBDC in every State in the Union before the program is over.

We're at a point where I think the universities and the States can start picking up some of that responsibility. You see it today across America. Universities and colleges are starting to set up chairs for information.

It's no longer, perhaps an MBA in Business Administration, but it might be a masters degree in entrepreneurship. They're really talking small business more than they are talking corporate finances and I think a lot of universities are moving out in this way.

As you know, half of the funding comes from the States already. I think where we have successful SBDC's, the States may be willing to come in and take more of that responsibility and, perhaps, there are private sector entities out there that would also be willing to do that, such as various private sector foundations and some corporations.

Senator Rudman. I would not argue that the universities are doing very good things, but I am not sure that eliminating SBDC's at this point might not be premature. There is not open ended liability on how much they cost. It's not like an entitlement program. You can peg the cost growth and that is something that we're going to have to get into.

DISASTER PROGRAM

Earlier this year you transferred, under directions from the OMB, a little over a billion dollars in unobligated balances from the Disaster Loan Fund to the Treasury. I realize that the transfer was legal and OMB is proposing elimination of the program in 1987. However, if Congress doesn't agree, we may be forced to make an appropriation of hundreds of millions of dollars to meet the loan demands created by hurricanes, earthquakes, tornados, floods, et cetera.

In fact, CBO's current baseline assumes we'll need to appropriate over $200 million in 1987.

Given the unpredictability of nature, do you think this was a wise move?

Mr. Turnbull. Mr. Chairman, I do and it was done for several reasons. The reason this came up at all was because there was a transfer of $90 million from this fund into our salaries and expenses fund and when we're going through this sequestration exercise, the Comptroller General issued an opinion that this transfer was not, in fact, a direct appropriation and therefore not subject to the Gramm-Rudman-Hollings reductions.

That, in fact, caused a great deal of concern because we had $1.3 billion sitting in the fund or more, and the feeling was this fund was going to be exempt and it was going to thwart actually the desire of the Congress to reduce the deficit through these methods.

We then looked at the revolving fund and made an actual analysis. We tried to determine how much we would need, and as you know, Congress has set a cap of $600 million on the program overall.

The Comptroller, in coordination and talking with people at OMB, there were discussions and it was determined that we could transfer $1.2 billion without any difficulty and without any need for further appropriations to the Disaster Loan Fund.

Senator Rudman. Well, we're going to look at that again. There are people on the committee, I know, that have some concerns about the transfer and I just want to get your rationale on the record.

We want to talk a little bit about the agency budget itself, the core budget, because I think there may be some issues relating to the 1985 agreement.

What is the total operating budget of SBA including, if you can give this to me in one figure or in a series, the basic cost of all the employees of SBA and the main office in Washington and all the field offices and the district offices? First, can you answer that?

Mr. TURNBULL. I will defer to Mr. Carver.

Mr. CARVER. About $298 million.

Mr. TURNBULL. This would include SBDC grants?

Mr. CARVER. Yes.

Senator RUDMAN. What does that include?

Mr. CARVER. The SBDC grants, the 7(j) grants and all the other administrative areas that you inquired about.

Senator RUDMAN. That includes the grants themselves?

Mr. CARVER. Yes, sir.

ADMINISTRATIVE COST

Senator RUDMAN. If you simply said, I want to know what it costs to run the SBA without any grants to anybody else, the basic core cost of the agency, which includes Washington——

Mr. CARVER. All the overhead.

Senator RUDMAN. —all the people, all the overhead, how much is that?

Mr. CARVER. $250 million, roughly.

Senator RUDMAN. $250 million.

Mr. CARVER. Roughly.

Senator RUDMAN. Does that include your allocation for your Executive Assistance Program [SCORE], I believe it's called?

Mr. CARVER. Yes, sir, that would.

Senator RUDMAN. And then added on to that, your total budget is what, this year?

Mr. TURNBULL. The actual outlay budget, Mr. Chairman?

Senator RUDMAN. Yes.

Mr. TURNBULL. Do we have that?

Mr. CARVER. Actually $270 million, I believe.

Mr. TURNBULL. $270 million in outlays, depending on how you look at it, Mr. Chairman.

Senator RUDMAN. And then if you add on to that the loan programs, direct, guaranteed and so forth, the total amount is what?

Mr. CARVER. The 1986 projection was $579 million. That would be all the outlays.

Senator RUDMAN. Well, I just want to wind up here and simply say that we appreciate your testimony. We understand that you are not the decision maker. You haven't set the policies, but let me just ask you this question, stating your own opinion, if you feel comfortable doing that, as opposed to the administration's position.

No. 1, that number of $250 to $270 million, do you think we're going to save any of that if we transfer all these functions into the Commerce Department, assuming, of course, closure of every office of the SBA around the country?

Mr. TURNBULL. Mr. Chairman, we will have a considerable savings. The actual number that would be transferred to the Commerce Department, it's a great deal less than $250 million.

Senator RUDMAN. What is the amount?

Mr. TURNBULL. Let me find my figures here. I believe it's about——

Mr. CARVER. It's $39 million.

Mr. TURNBULL. That's correct; it's $39 million to the Commerce Department.

Senator RUDMAN. How about Treasury, any transfer there?

Mr. TURNBULL. Yes. The first transfer would be for $78 million, Mr. Chairman.

Senator RUDMAN. So that's about $117 million and the balance, of course, is the SBA's public appearance to the American people in 50 States.

Mr. TURNBULL. Right.

FIELD STRUCTURE

Senator RUDMAN. How many regional offices do we now have?

Mr. TURNBULL. Ten regional offices. We have over 100 offices in total.

Senator RUDMAN. So essentially what we have is a further concentration of government, here in Washington. We transfer all those folks over to Commerce, further expanding the Washington bureaucracy, which I usually refer to as "Disneyland North" and we build it up and we put more people in the Treasury.

Senator BUMPERS. Don't laugh, it encourages him.

Senator RUDMAN. I have learned well from my friend from Arkansas.

And we end up with the public contact with SBA gone. Am I correct, it's gone, all the offices closed all over the country, there is no more SBA out there representing and advocating for the people, is that not correct?

Mr. TURNBULL. I really can't answer the question at this time, Mr. Chairman because the Commerce Department would really have to make that decision on how they would deliver the programs that were left, In effect, Commerce may make a decision that they will maintain a field function. They have 6 regional offices through their Minority Development Program and they have over 100 consultants on the payroll.

So they have offices across the country. I really don't know how they would handle it. There has been no final decision on that. There might be a field presence, but I just really don't know.

Senator RUDMAN. It's fairly likely, I think, Mr. Turnbull, that the Commerce Department is not about to start opening a bunch of field offices to service an SBA program which the administration has tried to eliminate, is that not a fair evaulation of the situation?

Mr. Turnbull. I should say that I certainly agree with your comment on Washington, DC. Commerce has its own offices. We have a series of offices out there. What will happen to these offices has not been determined.

Senator Rudman. It seems, if I understand the feelings of the Senate, at least, I think we agree that the economy has been going much better, and maybe we can eliminate much of the loan function.

On the basis if you can't get a loan from a bank today, you probably ought not to get it anyway. There were some people in the small business community that offered that suggestion.

On the other hand, the Small Business Administration does far more, in terms of the confidence it builds in small business, than loan money. It represents the largest sector of the American economy which is essentially unrepresented in this Government.

So, I would simply suggest to you that you people had better have your pencils ready to start working on other proposals because I have serious doubts the current proposal will fly. Not that we can't save substantial amounts of money, because I think we can and we will; I think that the chairman of the Small Business Committee shares my views on this. But I am not so sure that we're going to destroy the presence of the Small Business Administration throughout this country since even in a symbolic way it means a great deal as an advocate, as a spokesman, as a source of technical assistance to small emerging companies.

So, I just want to make that general observation. You would certainly have to agree, personally, I would assume, that if you close every field office of the SBA, the small business community in New Hampshire, in Maine, in Arkansas, wherever, feels that they don't have their own agency speaking for them any more. Those folks don't get down here very much.

I mean, isn't that an accurate statement?

Mr. Turnbull. I think there is a public perception within segments of the small business community, Mr. Chairman, that they do, in fact, need a voice. I think the way the administration has provided for that voice is to leave the Small Business Administration, transfer it to Commerce and leave the function that most small business people consider to be the most important, that is the advocacy function.

The question of whether there would be some sort of a field force in the advocacy function is one that really hasn't been determined.

There are presently 14 people across the country who visit State legislatures, chambers of commerce and deal with the budget and advocacy functions.

I can't answer whether these people will stay or not.

Senator Rudman. Well, the plain facts of the matter are that if you put the SBA in the Commerce Department— I've only been there a couple times, but the first time I was there, it took me an hour to find where a room was because nobody seemed to know, nobody even knew it existed. I think it was the Secretary's Office.

Senator Bumpers.

Senator BUMPERS. Mr. Chairman, first of all, on behalf of Senators Hollings and Chiles, I would like to submit their questions for the record.

Senator RUDMAN. Without objection.

DISASTER PROGRAM

Senator BUMPERS. Mr. Turnbull, in one place here you refer to the carry over balance for the disaster loan fund. How much are you carrying over?

Mr. CARVER. $150 million.

Senator BUMPERS. How much was there at the beginning of the year?

Mr. TURNBULL. Beginning of the year?

Senator BUMPERS. Yes.

Mr. CARVER. About $1.3 billion.

Senator BUMPERS. If you had $1.3 billion at the beginning of the year and you have a $150 million carried over, why do you think that will be sufficient?

Mr. TURNBULL. Our estimates, Senator Bumpers, from collections of disaster loans, taking in account, the $600 million cap that was placed on that fund by Congress, we believe will be sufficient to carry us through this fiscal year.

Senator BUMPERS. How much was it last year? Is that a revolving fund?

Mr. TURNBULL. Revolving fund, yes, sir.

Approximately $750 million will be collected into that fund this year.

SALE OF ASSETS

Senator BUMPERS. Let me ask you this. The administration proposes to sell the assets of the loan portfolios and they estimate that $2.4 billion could be realized from the sale of the agency's portfolio. What is the face value of that portfolio?

Mr. TURNBULL. The face value of the portfolio, at the present time, Senator Bumpers, is approximately $9 billion.

Senator BUMPERS. Why do you anticipate only being able to get $2.5 billion from such a portfolio?

Mr. TURNBULL. Senator, we made some conservative estimates as to what we think can be recouped and as I have told the chairman previously, any sale that occurs will not be done in a forced sale fashion. It will not be a fire sale, in fact.

The Treasury Department will have to evaluate the portfolio, seek out people in the private sector, find out what the market value of that portfolio is before they sell it and the Treasury Department is going to seek a real value for this portfolio.

Senator RUDMAN. If the Senator would yield, I think we have reached that conclusion in a dialog we had here before——

Senator BUMPERS. Have you all discussed this?

Senator RUDMAN. Obviously that estimate is very low compared to any real figures on their collections. In the worst case, their collections, from all sources, average probably 70 to 75 percent. Their loss ratio on some of the loans is as low as 6 percent, others as high as 18 percent, but I think Mr. Turnbull has agreed that that is just really a very conservative estimate that was plugged in by OMB and I just think it is totally unrealistic.

Senator BUMPERS. I'm sorry, I didn't realize this had been covered.

Senator RUDMAN. That's fine.

Senator BUMPERS. This was a primary concern. I won't pursue that since it's been covered, except to say exactly what the chairman just said, and that is that these figures have to be grossly understated. And even if we're going to torpedo the Small Business Administration, there is no reason to have a fire sale on its portfolio, and if we can keep a skeleton crew to do nothing but collect these bills and save ourselves a few billion bucks, it certainly would be good economy to do it.

I have never understood this proposal to sell assets at any price—I don't mind selling them if they'll bring a decent price, but if we can do a better job at collecting and make money in the process, that's what we ought to do, too. And what I am concerned about and which is not covered here in detail and which, at some point, the SBA is going to have to furnish us and that is precisely the basis for these estimates. I mean, if you want to sell these things, you're going to have to give us the price and give us the system and the basis that you use in arriving at those statements.

Mr. TURNBULL. Senator, we would be glad to do that. The Treasury Department is presently studying options for sales of portfolios, not only SBA's but others across the Government. I don't believe that they have arrived at any concrete conclusions yet, but certainly we would be glad to provide that information when it is available as well.

Senator BUMPERS. Well, I intend to approach all of the so-called privatization portfolio sales in a very objective business-like manner.

If some of these things can be sold and we can realize as much as we're going to get for them by keeping them, fine with me, I don't care.

Mr. Chairman, that kind of sums up what I wanted to ask.

SUBMITTED QUESTIONS

Senator RUDMAN. Very well. We thank you very much. There will be questions for the record from those mentioned by Senator Bumpers and I will also have several.

Thank you very much for coming over.

Mr. TURNBULL. Thank you very much, Mr. Chairman.

[The following questions were not asked at the hearing, but were submitted to the Administration for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR RUDMAN

1. The budget request assumes the transfer of the Section 8(a) minority small business procurement assistance program to the Minority Business Development Agency of the Department of Commerce. If the SBA is maintained as a separate agency in 1987, would you prefer to see the Section 8(a) program transferred to Commerce anyway? Or would it make sense to create efficiencies by moving the functions of the Minority Business Development Agency over to SBA? Since they both serve many of the same clients, and both have business development centers throughout the country, could we save the taxpayers some money by combining these operations?

   We believe that the Section 8(a) program should be consolidated into the Minority Business Development Agency (MBDA) even if SBA is not transferred to Commerce. MBDA's mission is to encourage Minority Business Development. The 8(a) program is a logical part of this overall mission.

   Consolidation of these programs would be more efficient by eliminating duplications from top to bottom. Additionally, it appears that consolidation may also result in increased effectiveness as well, by focusing on a single organization as the source of Federal assistance to minority business. It is logical, therefore, to assume that significant savings would be realized from such consolidation.

2. Under the Administration's proposal, SCORE (Senior Core of Retired Executives) is the only management assistance program transferred to the Department of Commerce. Currently, these retired executives rely heavily on SBA's district offices for support services. The Department of Commerce does not have SBA's field structure. What resources will SCORE volunteers be able to tap so that they can effectively provide counseling and training to small business owners?

   We do not believe that SCORE will be adversely affected by the budget proposal to close SBA district offices. 80% of the 538 SCORE offices are not currently located in SBA offices. (Of the 538 offices, 378 are located in non-Federal donated space and 160 are in Federal office space, of which 107 are SBA offices). In cities where SCORE volunteers would need to find new office space, they could be located in other Federal office space or in local Chambers of Commerce. Recognizing that SBA-provided support services would be eliminated at the local level, the budget proposes an increase in funding for SCORE of $800K in 1987. In addition, the budget includes 10 SBA positions to support SCORE activities.

3. The Administration's proposal regarding the SBA calls for the transfer of most of the agency's procurement assistance programs to the Department of Commerce because of their concurrent benefit to small business and all federal agencies which are actively seeking new competitors for their contracting opportunities. At the same time, however, the procurement center representative (PCR) program as duplicative of the Small and Disadvantaged Business Utilization (SADBU) program operated by procuring activities, pursuant of Public Law 95-507.

   Rather than viewing the traditional (as opposed to the breakout PCR established by PL 98-577) procurement center representative as duplicative of the agency SADBUs, most small business government contractors see them as essential compliments to each other in promoting small business participation in government contract opportunities.

If the SBA PCR is eliminated, who is going to provide the following functions, independent of the procuring activity:

a. Screen proposed contracting opportunities as candidates for exclusive competition among small business concerns, or as candidates for ward under the Section 8(a) program;

b. Assist the procuring activity in establishing demanding goals for awards to small business concerns and such concerns owned by socially and economically disadvantaged individuals providing in-progress monitoring of the procuring activities efforts to attain these goals;

c. Review solicitation to assure that their terms and conditions do not hamper the opportunities of small businesses to compete for these individuals contracting opportunities;

d. Provide the point-of-assistance and counsel at the procuring activity that many small business contractors, especially new entrants, feel more conformable in receiving from a small business representative that this independent of the chain-of-command at the procuring activity?

The procuring agency Small and Disadvantaged Business Utilization Specialists (SADBUS) will continue to provide the on-site small business procurement assistance activities (a, c, and d). The Defense agencies alone have 800 full and part-time SADBUS, located at every contracting office in the Department of Defense. Under the Small Business Act, the Office of Small and Disadvantaged Business Utilization of each procuring agency is headed by a Director who reports directly to the agency head or the deputy. The top officials of the major procuring agencies have been advised that under the 1987 budget proposal, they are fully responsible for meeting their small and minority business procurement goals and have been urged to make effective use of their SADBUS to accomplish these goals. In addition, SBA at the headquarters level, will continue to work with procuring agencies in the establishment of procurement goals and to monitor agency performance (b).

4. The Administration's proposal regarding the SBA calls for the transfer of most of the agency's procurement assistance programs to the Department of Commerce because of their recognized value to small business and to the federal procurement process. At the same time, however, the Administration's proposal calls for the termination of the surety bond guarantee program, as an unnecessary credit program.

In practice, shouldn't the surety bond guarantee program be recognized as the procurement assistance program it actually is? Most federal, state, and local government construction contracting opportunities, and many private construction projects, require bidders to post bid bonds and contract performance bonds from surety companies. Without the SBA guarantee, surety bond companies will generally not issue bonds to small construction contractors, especially newer entrants. Without the surety bond guarantee program, most small construction firms will no longer be able to bid.

Would you share with us the Administration's rationale for eliminating the surety bond program, while maintaining the procurement assistance programs?

The termination of SBA's surety bond program is proposed as part of the Administration's overall efforts to reduce Federal involvement in private credit market decisions. The surety bond guarantee program distorts credit allocation decisions by encouraging surety companies to grant bond to contractors perceived to be risky to be granted bonds without the guarantees. The Administration believes that businesses will benefit from the termination of this program. Deserving new small businesses will continue to establish bonding "track records" without this program.

5. The appropriation for the surety bond guarantee program assumes no fee income in 1987. If the program is continued, what would be the fee income and thus the reduced appropriation level?

The Surety Bond Program collects fees from two sources. The first fee is a contractor guaranty fee equal to $5 per $1,000 of contract amount. The second fee is a surety fee equal to 20% of the bond premium. This bond premium is usually 1.5% of the contract amount. Therefore, for a program which guarantees $1 billion in surety contracts, the SBA could expect to collect approximately $8 million in fee income.

6. The budget projects $505 million in defaults in 1986 in the business loan and investment fund. Based on the latest information you have, is this your latest projection? Have you revised your projection for 1987?

The loan repurchase figure of $505 million for FY 1986, is based on an analysis of loan repurchases done at the end of FY 1985. Therefore, it is our latest projection in this area. The projection for FY 1987, assuming no new guarantees in 1987, is $461 million.

7. If the Congress decided to continue a loan program level in 1987 at the 1986 level after the Gramm-Rudman-Hollings sequestration, what appropriation would be required for the business loan and investment fund? Assume no funds are provided for loan purchases from the Federal Financing Bank to liquidate section 503 and SBIC loans and debentures.

Assuming a straight-line of the FY 1986 program levels, and no statutory or legislative changes to current policy, SBA would require an appropriation of approximately $400 million in FY 1987 for the Business Loan and Investment Fund. Of course this is a preliminary estimate, and could change significantly based on actual FY 1986 activity.

8. What are the "other expenses" of $193,000,000 identified on page 87 in the program and financing schedule for the business loan and investment fund?

The amount shown as other expenses under the Business Loan and Investment Fund is comprised of three main components: Interest charged-off, Advances for care and preservation of collateral and recoverable expenses, and Payments of prior liens and other costs incurred on acquired collateral, judgements, and notes receivable.

9. What level of funds were obligated in fiscal years 1984 and 1985 for the section 7(j) program? What is the obligation rate through the first quarter of fiscal year 1986?

The amounts obligated for 7(j) contracts and grants in FY 1984 and FY 1985 were $9.8 million and $10.5 million, respectively. For FY 1986, our records indicate that approximately $7.4 million has been obligated for 7(j) contracts and grants through March 10, 1986.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

UNOBLIGATED BALANCES

1. Please provide a listing of the uncommitted, unobligated balances in the various SBA funds expected on September 30, 1986?

	($ in millions)
Business Loan Fund	$ 23.3
Disaster Loan Fund	112.0
Surety Bond Fund	.6
Pollution Control Bond Fund	2.2
Lease Guaranty Fund	3.4
Total Estimated Unobligated Balances @9/30/86	$141.5

2. Am I correct that SBA expects to have approximately $141,200,000 in uncommitted, unobligated balances at the end of Fiscal 1986?

   The expected unobligated balance at the end of FY 1986 is approximately $141.5 million, detailed by fund in the answer to question #1.

PURCHASE OF LOAN ASSETS FROM FEDERAL FINANCING BANK

The 1987 Estimates include $2,314,596,000 for the Business and Loan Investment Fund to repurchase the outstanding SBIC and 503 Portfolios in the Federal Financing Bank in order that they could be sold to the public.

1. Why is it necessary to go through this procedure of repurchasing the portfolio from FFB?

   In order for the SBA to effect the servicing, liquidation and ultimate sale of SBIC and 503 loans, it must have these loans as part of its direct portfolio. This could only be accomplished by a direct buy-out of the loans from FFB.

   We are of the understanding that the FFB has statutory authority to allow them to sell assets, as does SBA. Therefore, the actual sale of assets regarding 503 and SBIC loans could be effected by the FFB, without SBA's direct buy-out. However, the SBIC and 503 assets held by the FFB are 100% guaranteed by the SBA. The FFB is therefore protected against losses on these assets. The only way to assure that FFB receives the full principal account of these loans and not suffer a loss as a result of the decision to sell the assets to the public is to buy them back at face value. Secondly, as part of the overall plan, the sales would not all be effected in one year. In addition, it was expected that a contractor would be hired to take over servicing and liquidation of the portfolio until it was sold. Therefore, the plan wouldn't be as effective and efficient if the portfolio was spread over two agencies.

2. It appears to me that this is a management decision by OMB to crowd out scarce budget authority from this bill by making this unnecessary transaction. Do you agree with that assessment?

   This action was taken for the reasons outlined above, and not as a direct means of "crowding-out" budget authority.

3. If we did not appropriate funds to repurchase the portfolio from the FFB, would the world come to an end?

The SBA could not unilaterally take any actions regarding the servicing, liquidation or sale of the SBIC and 503 portfolios at the FFB, without the "buy-out" and inclusion of this portfolio in its direct portfolio.

SALE OF SBA LOANS

1. Where in the President's budget can I find how much is to be realized by the sale of SBA's portfolio?

Receipts from the sale of assets are included under two miscellaneous accounts of the Treasury. These accounts appear under in the account level detail runs in Functions 370 and 450. The estimated 1987-89 receipts also appear on p. 48 of the budget document "Highlights of the President's 1987 Budget." The receipts are included on p. 159 of the "Major Policy Initiatives" supplement to the budget in the line "Deficit Reduction". The FY 1987 receipts from the sales of assets are estimated at $496 million from business loans and $403 million from disaster loans. The total estimated proceeds from the sales of assets are $2.7 billion, over a four-year period.

2. I am informed that the best estimate of this sale of the SBA portfolio, as contemplated by OMB, would yield approximately $.24 for every dollar in the portfolio. Do you agree with that estimate?

Receipts from the loan asset sale proposal are conservatively estimated at $2.7 billion from 1987-1990. In addition, $3.0 billion would be realized in payments from assets that have not been sold. Based upon an estimated $13 billion in assets to be sold, total undiscounted receipts would equal 43% of the 1987 face value of the assets. In addition, $253 million in salaries and expenses would be saved between 1987 and 1991. Two factors that have an impact on the amount of receipts from the sale are:

a. The sales price depends upon the quality of the assets sold (interest rates, maturity, riskiness, etc.). 52% of the assets proposed for sale are either defaulted guaranteed loans that have been repurchased or loans that are currently delinquent or in liquidation. Receipts from the sale of these assets represent discounts of from 80-99% of face value.

b. The loan asset sale trades a future stream of repayments (and the accompanying risk of default) for receipts up-front. Because of the time value of money, the amount realized immediately through a sale is less than the sum of the undiscounted stream and represents the market's assessment of the risk associated withholding the assets.

As you note in a following question, the market value of the portfolio increases as interest rates decrease. The estimates of receipts from the sale of the loan assets is therefore subject to change.

3. Giving up $.76 on every dollar is too much of a discount on the money that the American taxpayer has invested in SBA. We owe them a better deal than that. However, I think we should also be doing all we can to sell any assets that we can, providing we get a decent return for the taxpayers.

A. Does not SBA have authority to sell its portfolio?

Yes, the SBA has the statutory authority to sell its assets. (See also the response above concerning estimated receipts from the asset sale).

B. What experience does SBA have with selling its loans?

SBA pledged a block of its portfolio to GNMA in the late 1960's, in return for proceeds from the sale of participation certificates. The pledging was made with full recourse to the SBA. We are still in the process of repaying this borrowing. SBA has not, however had an actual "sale" of assets to date.

4. It seems to me that since SBA has moved to an interest rate at the cost of money to the government, we might have some attractive loans to sell; particularly in light of the current lower interest rates.

   A. What is the value of the loans in your portfolio that bear an interest rate higher than the current treasury rate?

   Utilizing the current prime rate of 9% as a benchmark, SBA has approximately $2.1 billion in direct business loans and $.5 billion in disaster loans with an interest rate higher than 9%, as of 2/28/86.

   B. On average, how long do these particular loans have to run?

   The average maturity of these business loans is 9.5 years, and these disaster loans is 19.4 years.

MINORITY BUSINESS ASSISTANCE

The proposed transfer of SBA to the Commerce Department includes the consolidation of SBA's Minority Business Assistance Programs into Commerce's Minority Business Development Agency.

1. Was any thought given to going to the other way — as once suggested by this subcommittee — that MBDA be merged into SBA's Office of Minority Small Business and Capital Ownership Development?

   Under the current administration's proposal, SBA is not existent structually to enable it to undertake such a venture.

2. What is the 1986 level of funding for Section 7(j) Contracts and Grants and Business Development expense and how much has been obligated to date?

   The FY 1986 level for 7(j) grants and contracts and Business Development Expense, adjusted for the effects of Gramm-Rudman-Hollings, are $9.6 million and $16.3 million respectively. The obligations for 7(j) are $7.4 million as of March 10, 1986, and $2.5 million for BDE as of February 28, 1986.

3. Without the help of 7(j) and Business Development expense, do you really expect new minority businesses to be able to perform on 8(a) contracts or are we moving towards an 8(a) program of only sophisticated minority firms?

   Alternative means of providing management and technical assistance can be cultivated to satisfy the needs of new, as well as sophisticated 8(a) and non-8(a) approved business concerns. One such identifiable alternative is the management and technical assistance service available, as result of $30 million dollars, by the Minority Business Development Agency, in the Department of Commerce.

4. How much personnel are now assigned to your field offices for minority business assistance? How does the current number compare with the level for Fiscal 1981? Is it expected that the current level will be maintained in Fiscal 1987?

The number of full-time permanent employees assigned to the Office of Minority Small Business/Capital Ownership Development, as of January 31, 1986, is 328. Of this number, 294 are located in field offices. This compares with 361 on-board at September 30, 1981, with 291 located in field offices.

The personnel level is expected to drop by approximately 35 Full-Time Equivalents from FY 1986 to FY 1987. The 1987 level represents staff needed to support the 8(a) program and reflects overhead savings resulting from the proposed consolidation with the Minority Business Development Agency.

QUESTIONS SUBMITTED BY SENATOR BUMPERS

1. The Administration budget proposal to sell the assets of SBA in order to raise cash to be applied to the deficit estimates that some $2.4 billion could be realized from the sale of the Agency's loan portfolio.

   a. What is the face value of the loan portfolio?

   The sale proceeds are based on a portfolio estimated to be $9.4 billion at 9/30/86, plus an additional $2.0 billion in future disbursements and repurchases of guarantees. These amounts are reduced by loans charged-off and amortized of $2.2 billion.

   b. What does the Administration estimate it would collect, both in dollars and as a percentage of face value, over the life of the portfolio?

   The estimated sale proceeds total $2.7 billion over a a four-year period. The overall undiscounted receipts on the net portfolio is estimated at 43%.

   c. State the difference between this figure and the amount which the Agency projects would be realized from the sale as presently proposed.

   The SBA has not undertaken the analysis necessary to either fully support or contest the estimated returns on the sale, as proposed by OMB.

   d. State precisely the basis for estimates as to the price which could be gotten from sale of the portfolio. In other words, how did you, or OMB, arrive at the estimate that the portfolio would bring 19 cents on the dollar, as Mr. Stockman stated last year, or 24 cents, as appears in some administration budget documents this year.

   Based on current estimates, receipts from the loan asset sale are conservatively estimated at $2.7 billion from 1987-1990. In addition, $3 billion would be realized in payments from assets to be sold. Based upon an estimated $13 billion in assets to be sold, total undiscounted receipts would equal 43% of the 1987 face value of the assets. Certainly, other factors can influence those current estimates such as the quality of the assets sold (interest rates, maturity and riskiness). These factors can materially cause changes in the estimates from one year to the next.

e. What percentage of the savings estimated to result from the elimination of SBA and sale of its income producing assets would come from the sale of assets?

It is estimated that approximately $2.7 billion would be generated from the sale of assets over a four-year period. This translates to 41% of the total four-year savings of $6.5 billion.

2. How many of SBA's current employees could be expected to be retained in the proposed transfer of certain functions to the Commerce Department? Please identify the numbers proposed to be retained by function, e.g., procurement assistance, minority business development, finance, management assistance, etc.

The proposed FY 1987 budget transfers 595 full-time equivalent positions to the Department of Commerce. These positions are detailed, by function, as follows:

	# FTE's
Procurement Assistance	226
Minority Small Business/Capital Ownership Dev.	255
Innovation, Research & Technology	9
Business Development	10
Special Programs	3
Advocacy	58
Management and Administration	17
Hearings and Appeals	11
Exec. Direction and Field Administration	6
	595

In addition, 1,664 FTE's would be transferred to the Department of the Treasury in 1987.

QUESTIONS SUBMITTED BY SENATOR CHILES

1. Under the Administration's proposal, the Disaster Loan Making function would be terminated. This is presumably part of the "Privatization" initiative. In Florida we have seen what the fury of a natural disaster -- a hurricane -- can do. I am concerned that a severe hurricane, for example, would truly devastate both the personal and the business community in the aftermath of a direct hit.

Since this program has over $5 billion in loans outstanding, it would seem that the program has met an urgent and critical need in the past. Now you propose to do away with it, on the hope that the banking and insurance communities will be able to provide the necessary assistance. Do you have any factual data to support this contention?

We have no factual data to support this contention.

2. In the wide destruction of a large scale natural disaster, is it not highly likely that the need for assistance to small businesses would

far outstrip the availability of assistance from banks and insurance companies at a price that businesses could afford?

In response to your question concerning the availability of alternative forms of assistance to the SBA Disaster Loan program, we do not know that Federal flood insurance is available through the Federal Emergency Management Agency's (FEMA) National Flood Insurance Program (NFIP). Secondly, we have no reason to believe that private property and casualty insurance is not available in sufficient quantities to insure against non-flood losses.

All communities are eligible for the NFIP. The only requirement is that the community agree to observe building codes concerning structures to be built in flood-prone areas. Currenty. 17,689 communities participate in the NFIP. These communities represent almost all flood-prone communities (identified as likely to be flooded at least once every 100 years). In 1985, 2 million NFIP policies, covering $134 billion in assets, were in force. The NFIP's average annual premium in 1985 was $201.

In 1980, the GAO studied Federal disaster assistance and concluded that insurance is the most efficient and equitable method of providing disaster coverage. This is because insurance forces an evaluation of the risks associated with disasters and encourages the adoption of preventative measures, which helps to minimize losses. In term equity, with insurance, individuals in similar situations (location, amount of coverage, etc.) are treated similarly. Disaster loans, GAO reported, are less equitable than insurance. Higher income victims are favored relative to those with lower incomes because of the tax treatment of certain payments (e.g., interest payments). In addition, because SBA disaster loans are only provided to those who can demonstrate an ability to repay, eligibility of lower income individuals, even for loans with interest-rate subsidies, is restricted.

Flood insurance is required by SBA prior to approval of a disaster loan whenever the property for which the loan is granted is located in a flood-hazard area. SBA will not provide a second disaster loan for damage resulting from a subsequent disaster if flood insurance coverage is not maintained. (In recent years, approximately 70% of loans made through SBA's disaster loan program were for flood-related losses).

Secondly, under the SBA disaster loan program, loans are only provided for uninsured losses. Loans are primarily provided for properties that are underinsured, not uninsured. Therefore, the number of disaster loans would be drastically reduced if sufficient insurance coverage was maintained. Terminating the disaster loan program would help improve the incentives for obtaining and maintaining adequate insurance coverage.

In your second question, you ask if it is highly likely that the need for assistance by small businesses following a large scale disaster would outstrip the availability of assistance from banks and insurance companies at a price these businesses could afford. Again, there is no evidence that FEMA and private insurance companies are not able to provide sufficient coverage. If the Disaster loan program is terminated, homeowners and businesses would have to choose between obtaining sufficient insurance coverage or bearing the risk of uninsured losses.

One advantage of insurance is that in the event of a disaster, claims can be satisfied through funds set aside expressly for anticipated losses. Insurance coverage therefore provides a more stable source of funding for losses.

In terms of affordability, losses from disasters are fairly predictable and premiums are set on an actuarially sound basis. Through risk-pooling, the costs are shared by many and the cost of a loss to any single individual is less than if the individual had to manage the risk alone.

3. The budget proposed to transfer the agency's business and loan portfolios to the Treasury Department for sale to the private sector over a four-year period.

While this will bring some short run funds into the Treasury, I am concerned that over the long run, we may actually be losing money. Until we see the numbers laid out, we don't know if this makes any sense.

What assumptions have you made about the level of receipts which will be brought into the Treasury?

Please compare on a year-by-year basis the amounts SBA would receive in repayment of these loans if they were not sold off to the Private Sector.

In estimating receipts from the sale of the SBA portfolio, the following factors were considered for each type of loan asset:

- average maturity;
- average interest rate; and
- estimated riskiness of this type of borrower based upon past default experience for the program and on the current repayment status of the loans (current, delinquent, in liquidation).

Assumptions used to estimate receipts are presented in the attached Table 1. 52% of the loans that would be sold have already been repurchased from private lenders or are currently delinquent or in liquidation. We have estimated that these loans, which are among the most costly to service, would sell for 1-3% of their face value.

As you requested, the attached Table 2 compares receipts under two approaches: Under each case, it is assumed that no new loans are originated after 1986, and corresponding salaries and expenses costs incurred under each alternative are shown. This table does not show the cost of the interest subsidy provided when the Treasury borrowing rate exceeds the interest rate on outstanding loans.

In pursuing loan assets sales, immediate receipts are traded for a stream of future repayments. Because of the time value of money, this trade results in discounts in the face value of the loan assets. The amount of the discount depends upon the characteristics of the loan asset being sold.

The loan assets sale receipts contained in the Budget do not constitute sales prices for the assets, but instead represent conservative estimates of what the market might pay. The market, in deciding how much to pay for these loans, will evaluate the riskiness and other characteristics of the loans and pay us what the assets are worth. Note that as interest rates fall, the value of the portfolio increases. As a result, the discount assumptions (asset yield) are subject to change.

23-Mar-86

Table 1

SMALL BUSINESS ADMINISTRATION
1987 Budget Portfolio Sale Assumptions
($ in millions)

	Portfolio Amount Sold (Face Value)				Average Interest Rate	Average Maturity (Years)	Loss Rate	Asset Yield	1987-91 Sales Receipts
	Current	Delinquent	Liquidation	Total					
Direct Loans									
Business	477	112	156	745	8.2%	9	10%	50%	168
Handicapped Assistance	66	8	8	83	3.0%	12	8%	30%	16
Economic Opportunity	68	32	39	138	8.8%	9	28%	20%	9
MESBIC	221	—	—	221	8.0%	12	na	30%	55
Disaster	3,154	639	480	4,273	4.0%	12	3%	30%-40%	1,136
Development Co.	160	17	15	193	11.0%	20	10%	60%	79
Subtotal	4,145	808	699	5,652	na	na	na	na	1,463
FFB-Originated Loans									
SBICs	980	—	173	1,153	11,2%	9		50%	492
Sec. 503 Development Co.	1,118	—	17	1,135	11.2%	20	3%	60%	696
Subtotal	2,098	0	190	2,288	na	na	na	na	1,188
Repurchased Guaranteed Loans: Current Payment Status									
Business	223	206	1,287	1,717	13.3%	9	40%	1%-20%	20
Economic Opportunity	3	2	12	18	11.8%	8	82%	1%	
Development Co.	6	8	21	35	11.2%	20	na	1%	
Guaranteed Loans 1/	1,001	912	89	2,002	11.2% - 13.3%	8.5	60%	1%-3%	19
Future Guaranteed Loan Repurchases 2/	1,368	—	—	1,368	11.2% - 13.3%	8.5	60%	1%	14
Subtotal	2,601	1,129	1,410	5,140	na	na	na	na	53
TOTAL PORTFOLIO	8,844	1,937	2,299	13,080	na	na	na	na	2,704

1/ Guaranteed loans currently delinquent or in liquidation that would need to be repurchased and sold.

2/ Current guaranteed loans expected to default and be repurchased in 1987-1991.

23-Mar-86

Table 2

SMALL BUSINESS ADMINISTRATION
Comparison of Receipts
No Loan Asset Sales v. Loan Asset Sales
($ in millions)

	1987	1988	1989	1990	1991	Present Value 3/	Total 87-91 4/
1. No Loan Asset Sales							
Receipts (Principal, interest, other income)							
BLIF	572	526	460	401	342	1,851	2,301
DLF	801	617	529	452	387	2,260	2,786
FFC (SBICs, Sec. 503)	155	150	145	130	125	561	705
Subtotal	1,528	1,293	1,134	983	854	4,672	5,792
Less Salaries and Expenses 1/	(76)	(81)	(81)	(80)	(80)	(313)	(398)
Net Total	1,452	1,212	1,053	903	774	4,359	5,394
2. Loan Asset Sales							
Receipts from Sale 2/							
BLIF	496	401	355	316	1	1,304	1,568
DLF	403	369	356	9	0	970	1,136
Subtotal	899	770	710	325	1	2,273	2,705
Receipts (Principal, interest, other income)							
BLIF	613	545	330	147	14	1,400	1,648
DLF	712	437	205	6	0	1,192	1,360
Subtotal	1,325	981	535	153	14	2,592	3,007
Less Salaries and Expenses 1/	(76)	(47)	(12)	(6)	(4)	(126)	(145)
Net Total	2,148	1,704	1,233	472	11	4,739	5,567
Difference (2 minus 1)	696	492	179	(431)	(764)	381	172

1/ Salaries and Expenses needed to manage portfolio.

2/ Sales receipts are net of payment to contractor for servicing and liquidating remaining portfolio.

3/ Present value for 1987-1991 amounts discounted at 8.5%.

4/ Undiscounted cummulative total for 1987-1991.

QUESTIONS SUBMITTED BY SENATOR LAUTENBERG

QUESTIONS ON LOAN SALES

Mr. Turnbull

As you may know, I am interested in loan asset sales as a means of raising revenue. Just this week in fact I introduced legislation to authorize the sale of a portion of the Farmers Home Administration's portfolio. I wonder if you could help me understand how the Administration's proposed sale of SBA's loan portfolio would work in practice.

1. How does the Treasury plan to market the loans?

   Would they be auctioned off or would bids from underwriters or syndicators be accepted?

See answer to number 3.

2. How would the loans be packaged?

See answer to number 3.

Would loans with the higher rates be combined with those with lower rates and sold together?

See answer to number 3.

3. Would loans that are current be combined with loans that are delinquent?

The Credit Policy Working Group of the Economic Policy Council is currently discussing the details of how the Administration's pilot program of loan assets sales (including SBA loan assets) will be implemented. The marketing (auction v. underwriter/syndicator bids) and packaging options you raised are being considered. Since no decisions have been reached concerning this Government-wide program, we cannot provide you with definite answers at this time. However, the SBA portfolio sale will be handled in a manner consistent with the guidelines agreed to by the Economic Policy Council.

4. CBO estimates that we would get on the whole about 51 cents to the dollar on this portfolio. OMB's estimates come out to about 38 cents to the dollar. What is your estimate?

Receipts from the loan asset sale proposal are conservatively estimated at $2.7 billion from 1987-1990. In addition, $3.0 billion would be realized in payments from assets that have not been sold. Based upon an estimated $13 billion in assets to be sold, total undiscounted receipts would equal 43% of the 1987 face value of the assets. In addition, $253 million in salaries and expenses would be saved between 1987 and 1991. Two factors that have an impact on the amount of receipts from the sale are:

a. The sales price depends upon the quality of the assets sold (interest rates, maturity, riskiness, etc.). 52% of the assets proposed for sale are either defaulted guaranteed loans that have been repurchased or loans that are currently delinquent or in liquidation. Receipts from the sale of these assets represent discounts of from 80-99% of face value.

b. The loan asset sale trades a future stream of repayments (and the accompanying risk of default) for receipts up-front. Because of the time value of money, the amount realized immediately through a sale is less than the sum of the undiscounted stream and represents the market's assessment of the risk associated withholding the assets.

5. What approach to marketing the loans would you recommend to assure the highest rate to the government?

We have not undertaken the analysis necessary to provide you with this answer. However, the Administration's Credit Policy Working Group of the Economic Policy Council is in the process of analyzing this issue.

6. My understanding is that recipients of SBA loans are required to file periodic financial statements with SBA so long as their loans are outstanding, is that correct?

SBA borrowers are normally required to submit financial statements periodically. Depending on the circumstances of the individual case, this could be annually, semi-annually, or, in some cases, quarterly. In guaranty loans serviced by a lender, the financial statement must be submitted to the servicing institution.

7. Can you tell me what the average profit and return to equity are for recipients of SBA loan guarantees? If you do not have the information readily available, would you submit it for the record?

   SBA does not track this information. Aside from the fact that such financial characteristics vary from industry to industry, the personnel time and equipment required to accomplish such collection and analysis are neither within SBA availability, nor would there be a reasonable cost-benefit.

8. I would also like to have data indicating the number and percentage of borrowers in various profit brackets, (For example, below $20,000; $20,000 - $39,999; $40,000 - $69,000, etc.) categorized by year of loan origination. If comprehensive data are not available, I would appreciate your providing data based on statistical samples of your loan recipients.

   See answer to number 7.

DELAY IN PROCESSING LOAN APPLICATIONS IN NEW JERSEY

The most frequent complaint I hear from my constituents with regard to SBA is that the process of getting a loan or loan guarantee approved takes too long and involves too much paperwork.

On average, how long does it take to get a loan approved in New Jersey, and how does that compare with the national average?
What is the trend in the average pendency of loan applications in New Jersey and across the country?
How does your average pendency this year compare with the prior five fiscal years?

We are attaching a page from our January 1986, "Management Information Summary," which reflects the numeric counts for the various loan application categories. These are Agencywide figures, we are in the process of developing corresponding data for the New Jersey District. As of January - end, for the first 4 months of Fiscal Year 1986, the Agency had 641 business loan guaranty requests in pending status, and had approved 4,961. It will take us some time to collate the average turn-around times relative to the loan dispensation categories and those turn-around times specific to the various stages of a loan's SBA processing. Until such data are available, we cannot identify turn-around trends. Also, we must search the records to see what is available for the past five years, since we normally maintain LATS (Loan Automated Tracking System) records for only the current Fiscal Year. Once we have identified and collated whatever data are available, we will respond to you further.

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                                   BUSINESS LOAN APPLICATIONS STATUS REPORT
                                                FOR PERIOD
                                    YEAR: 1985-1986    MONTH: JANUARY '86

      AGENCYWIDE

                                                                        (************ MISCELLANEOUS YTD  STATISTICS ***********)

      DESCRIPTION         STATUS    (----  YEAR  ----) (-CURRENT MONTH->  (************ MISCELLANEOUS YTD  STATISTICS ***********)
                                                                          (--DIRECT LOAN--)  (GUARANTEED LOAN)  (--OTHER LOANS--)
                                    NUMBER    AMOUNTS  NUMBER   AMOUNTS    NUMBER   AMOUNTS  NUMBER   AMOUNTS   NUMBER    AMOUNTS

                                              PRIOR YEAR PENDING APPLICATIONS:

   APPLICATIONS ON HAND:  ATS CODE     349     53,082      0         0        135    11,134     219    41,948        0          0

  ACTIONS:
          IN SCREENING:   1             17      2,349      0         0          6       766      11     1,582        0          0
         SCREENED OUT:    2             66      7,339      0         0         28     1,884      38     5,455        0          0
             APPROVED:    6             93     15,134      0         0         17     1,033      76    15,101        0          0
             DECLINED:    7             96     14,959      0         0         49     4,033      47    10,926        0          0
            WITHDRAWN:    8             63      9,289      0         0         26     2,134      34     7,155        0          0
        IN PROCESSING:    3,4,5         17      2,147      0         0          6       412      11     1,735        0          0

                                              CURRENT FISCAL YEAR APPLICATIONS:

  APPLICATIONS ACCEPTED:  ATS CODE 11,638   2,034,454  2,691   485,639      1,712   147,590   9,912 1,884,909       14      2,005

  ACTIONS:
          IN SCREENING:   1            401     69,266    252    44,043         59     4,741     342    64,525        0          0
         SCREENED OUT:    2          3,021    513,459    573   100,932        748    69,541   2,265   442,822        8      1,095
             APPROVED:    6          5,198    887,560  1,073   183,830        235    11,877   4,961   875,510        2        173
             DECLINED:    7          1,718    284,677    305    50,987        459    36,162   1,258   248,494        1         21
            WITHDRAWN:    8            922    368,954    182    32,297        133    12,235     787   356,474        2        245
        IN PROCESSING:    3,4,5        378     70,170    276    50,758         78     6,383     299    63,287        1        500
  APPLICATIONS PENDING:   1,3,4,5      779    139,436    528    94,801        137    11,124     641   127,812        1        500

                                              TOTAL APPLICATIONS PENDING:

  APPLICATIONS PENDING:   1,3,4,5      813    143,931    528    94,801        149    12,302     663   131,129        1        500

                              **** PLEASE NOTE: DOLLAR AMOUNTS ARE IN THOUSANDS ****
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BOARD FOR INTERNATIONAL BROADCASTING

STATEMENT OF MALCOLM S. FORBES, JR., CHAIRMAN OF THE BOARD FOR INTERNATIONAL BROADCASTING

ACCOMPANIED BY:

EUGENE PELL, PRESIDENT OF RADIO FREE EUROPE/RADIO LIBERTY

BEN WATTENBERG, MEMBER OF THE BOARD FOR INTERNATIONAL BROADCASTING

INTRODUCTION OF WITNESSES

Senator RUDMAN. Our next witness is Malcolm S. Forbes, Jr., Chairman of the Board for International Broadcasting and is accompanied by Gene Pell, the President of Radio Free Europe/Radio Liberty and by Mr. Ben Wattenberg who is a member of the Board.

Mr. Forbes, feel free to summarize your statement and we'll have a few questions for you.

Mr. FORBES. Thank you very much, Mr. Chairman. I am submitting my statement for the record, if that is satisfactory to you.

Senator RUDMAN. That's fine.

Mr. FORBES. But, I would like to take a moment to emphasize a few key points. Thank you for letting me do that.

FALLING U.S. DOLLAR

The request submitted today does include a supplemental for the current fiscal year. With some painful pruning, we are meeting the requirements, the targets of the legislation originally proposed by you and Senator Gramm and Senator Hollings.

However, the fall of the dollar in the European countries whose currencies we must spend, principally the West German mark, is having a devastating impact upon us.

As you know, Mr. Chairman, an equalization funding mechanism was established in the late 1970's when a falling dollar put us into a similar situation.

With the dollar rising in the early 1980's, we either return the windfall to the Treasury or we are authorized by supplemental to use it to meet requested budget levels. Now, we are again on the downside.

PERSONNEL COSTS

We are budgeted at a D-mark rate of 3.08. The rate today is down to 2.22. We cannot make up the difference by furloughing because of union contracts which make it more expensive to separate staff than to keep them on the payroll in any given year.

Let me just give you one example. If we were to take the people with the least seniority, that is with 2 years or less of service, that total would come to 137 people, roughly 8 percent of our total payroll. If we furlough all of them, the total savings in fiscal year 1986 would come to only $75,000.

Seventy percent of our operational expenses are in personnel costs. Without a supplemental, we would have to turn to controllable expenses such as electric power, telephones, and contract security guards. We would find ourselves without the cash to go on broadcasting, that is we would literally have to pull the plug on Radio Free Europe and Radio Liberty by July 4.

The reason that we have this peculiar situation is because 80 percent of our budget goes for buying foreign currencies. Sixty-seven percent of our budget goes for buying Deutsche marks since most of our operations and most of our people are in Germany.

Roughly 12 to 13 percent goes for people who are working for us on transmitter sites in Spain and in Portugal.

So, because 80 percent of our budget goes for foreign currencies, we are very very vulnerable, very open to swings in currency markets.

The 1987 budget request looks like a much bigger increase than it really is. With the inflationary factor wrung out of it and setting aside the amounts that we are requesting for transmitter modernization, it is a stand pat budget which does no more than permit us to continue current operational requirements.

Mr. Chairman, we are ready for your questions.

[The prepared statement of Mr. Forbes follows:]

PREPARED STATEMENT OF MALCOLM S. FORBES, JR.

CHAIRMAN

BOARD FOR INTERNATIONAL BROADCASTING

Mr. Chairman, I appear before this subcommittee in support of the administration's funding request for the Board for International Broadcasting including grants to Radio Free Europe/Radio Liberty, Inc. for fiscal year 1987 and for a fiscal year 1986 supplemental.

With the support of your subcommittee we have made a beginning with the long-overdue modernization program authorized by Congress. The construction of a new studio complex at our Munich broadcasting headquarters has been completed. State-of-the-art equipment will soon be installed in the new studios and will be in full operation by the end of this fiscal year. Four 100-kilowatt replacement transmitters will be delivered for installation in the Federal Republic of Germany. Appropriations in fiscal year 1985 have enabled a modest beginning of the current phase of transmitter modernization. Contracts have been signed for the purchase of eight new 250-kilowatt transmitters to replace a similar number of obsolete 100-kilowatt transmitters in Portugal. An increase in transmitter power is essential to the delivery of an intelligible signal in an environment which is increasingly jammed. All of the 22 languages in which RFE/ RL broadcasts, with the exception of Hungarian and Romanian, are heavily jammed. The annual cost to the Soviet Union for jamming operations was recently estimated by the British Broadcasting Corporation to be from $750 million to $1.2 billion. The funding request we are submitting today includes $30.7 million for modernization of existing transmitter facilities in Europe, including an increase in the number of transmitters from 45 to 51, the first such increase in actual transmitters, as opposed to power, in more than two decades. This modernization program is pursuant to a mandate in authorizing legislation.

Also included is $10 million as a first installment of RFE/RL's share of the costs of a joint RFE/RL-Voice of America transmitter base in Israel, for which negotiations are proceeding with every expectation of successful conclusion before the end of this year. Upon completion of this project, we shall at last have the capability of delivering a strong, one-hop signal to the Moslem peoples of Soviet Central Asia.

Mr. Chairman, we have had a busy year in Munich since my predecessor last appeared before your subcommittee. As the Western World's largest broadcaster to Eastern Europe and the Soviet Union we have carried a heavy responsibility in providing our listeners with the detailed coverage they have learned to expect from us about such events as the changing of the guard in the Kremlin, the war in Afghanistan, and the trial of the policemen who murdered Father Popieluszko in Poland. In an area in ferment, an area which is of the greatest importance as we deal with the central threat to our national security, audiences are turning to us in unflagging numbers. According to current analysis, 52.5 million listen at least once a week.

To meet current deficit reduction targets we have throttled back a number of initiatives designed to improve programming. Twenty-seven new positions included in the original fiscal year 1986 appropriation will not be filled. Sixteen planned for double slotting to enable staff rejuvenation will be eliminated. Travel and free lance budgets have also been severely curtailed and our computer enhancement program, designed to improve performance, for example, in the digestion by the Central News Division of an estimated 1.5 million words a day, has slowed to a walk.

The budget we are submitting today will do no more than restore the operating level we had hoped to obtain this year. The increase in requested RFE/RL operting expenses, from $101.6 million to $109.3 million, reflects mostly adjustments for inflation in the various economies in which we operate. The requested figure includes $16.3 million for foreign currency budget rate adjustments.

The supplemental request for fiscal year 1986 of $14.5 is urgently needed to compensate for losses due to the devaluation of the dollar against the principal currencies in which RFE/RL operates, the German D-mark, the Portuguese escudo, and the Spanish peseta. Actual and projected foreign currency losses are far in excess of the $14,500,000 supplemental request and the $3,395,000 available in the Currency Devaluation Fund Reserve. Even with this supplemental funding, operations will have to be further reduced. Without it, we shall not be able to maintain current broadcast schedules.

Thank you for receiving this testimony.

BUDGET INCREASE

Senator RUDMAN. Well, Mr. Forbes, that's a pretty grim picture.

Mr. FORBES. It is indeed, I'm afraid.

Senator RUDMAN. So essentially it's mainly based on currency losses? We were just talking about it, but we'll go to the supplemental in a moment. We're talking about the new appropriation. From $103 million last year, your request is $167 for this year?

Mr. FORBES. Roughly of the $54 million difference, $30.7 million is for modernization and the rest for currency and inflation. It authorizes $10 million for preparations for a new transmitter site in Israel. That is part of our pro-rated costs with Voice of America. And roughly $16 million is for currency shortfall anticipated for fiscal 1987.

On an operational level, we are even with fiscal year 1986. In other words, taking out the modernization, taking out currency, it really is a stand pat budget.

RELATION OF MARK TO DOLLAR

Senator RUDMAN. I'm curious, in your fiscal year 1987 budget, what did you assume the average relation of the mark to the dollar to be for fiscal 1987?

Mr. FORBES. For fiscal 1986, it was 3.08 and I believe, originally for fiscal 1987, it was 3.08. Let me just back track for a moment.

When our fiscal year began on October 1, the Group of Five had just met in New York to bring down the value of the dollar and they succeeded. So the supplemental for fiscal year 1986 was originally assumed to be on a 2.53 basis and then adjusted because of the continued fall to 2.45. We're now down to 2.22. For fiscal year 1987, originally they were working with 3.08 and obviously they're going to have to scale back. There has been a dramatic change in the currency.

NEED FOR SUPPLEMENTAL

Senator RUDMAN. I guess my question is: Is this $167.5 million that you're asking for, assuming currencies at their current levels, are you telling me that it would be inadequate, that you would need another supplemental?

Mr. FORBES. Yes, sir. We would need in fiscal year 1986, if we were to make up the shortfall at today's exchange rate, around $21 million.

For next year, we would need a higher supplemental, to answer your question, than the $16 million that is provided for there.

Senator RUDMAN. Or else the Congress could try to make those adjustments at the time of passing the appropriation and we would make our own assessments as to what we thought the relative value of the currency to be at that time and make an appropriation based on that estimate.

Mr. FORBES. Yes.

Senator RUDMAN. If it came out the other way, obviously there would be a surplus.

Mr. FORBES. We find ourselves in a difficult position in the sense that when we have a shortfall, we need the supplemental and when we have a currency gain, which we had in the early 1980's, that money must go back, we cannot use it, it has to go back and we have to go through a supplemental process to get any of it.

Now, for fiscal 1987, originally it was 3.08 and it has since been adjusted to 2.53. We're now down to 2.22.

As a rule of thumb, each pfennig is roughly $300,000, so even with that adjustment, we would still be several million dollars short.

ACTUAL AMOUNT OF SUPPLEMENTAL

Senator RUDMAN. Could you just restate again, for me, to make sure I understand this very clearly, that you need a supplemental of $14.5 for this fiscal year.

Mr. FORBES. That supplemental was based on the 2.45 exchange rate, so it would be more than that.

Senator RUDMAN. It would be what exactly?

Mr. FORBES. Since then we have been overtaken by events and at a rate of 2.22, it would be $25 million actual loss. We had a $3.4 million reserve for currency fluctuation which we used in the first quarter of fiscal year 1986.

So, the rate is now, as of yesterday or today, about 2.22 which would still be net loss of $21.6 million, so we have been overtaken by events.

ALTERNATIVES TO SUPPLEMENTAL

Senator RUDMAN. Now, if the Congress does not pass that supplemental, whatever the figure is, taking all of the steps that you are able to take and recognizing the fact that you are very labor intensive, what are you going to have to do? Tell me again what the impact is going to be because I am sure that Senator Bumpers would like to hear this again also.

Mr. FORBES. We are in a very difficult situation because we are governed by German labor laws and by union agreements. We have similar agreements in Spain and Portugal.

Given the way those labor laws work, ironically enough, if we were to have a massive layoff, we would need a special supplemental just to pay the costs of laying these people off

Senator RUDMAN. It's a Catch-22, I guess.

Mr. FORBES. Right now, if we wanted to lay a lot of people off, I believe that we would not be allowed by law to do so until December 31 and then we would be obliged to give them huge severence payments.

Moreover, as President Pell can tell you, if you want to lay off more than 50 people, you have to submit a special plan and have negotiations with the Bavarian Government in which you would tell who would be laid off, what kind of program you would have for retraining and a lot of other things. It is a terribly expensive process.

LABOR SITUATIONS IN EUROPE

Senator RUDMAN. I am familiar with the labor situation in Germany and in France and other countries and I know that what you say is quite accurate, but let me ask you a question that maybe nobody here can answer it. Maybe Mr. Pell can answer the question.

What happens if you don't have the money? Is there criminal liability on the directors of the corporation, the officers of the corporation? What happens if you literally don't have the money?

Mr. WATTENBERG. I just resigned, sir.

Senator RUDMAN. I wouldn't take too many trips to Germany though. If they can't find you, they can't jail you as a friend of mine once told his client, but what happens? This is not a hypothetical question.

Mr. PELL. No, it's not. I don't know the answer to the question about criminal liability. We could meet the payroll through the fiscal year, I have no doubt, by doing some other things that we would not want to do.

Senator RUDMAN. Such as?

Mr. PELL. Such as shutting down the transmitters.

Senator RUDMAN. You mean having everybody on the staff and not operating the transmitters?

Mr. PELL. Yes, sir.

Senator RUDMAN. Why would you want to do that?

Mr. PELL. I wouldn't want to do that.

Senator RUDMAN. How much would that save?

Mr. PELL. It wouldn't save very much. It would not save enough to make up the deficit because 70 percent of our costs go into personnel compensation right now.

Senator RUDMAN. Mr. Pell, I think, for the record, in the next week, you ought to give us a very detailed analysis of all of the options that you have. Let me tell you why.

RESTRICTIONS UNDER GRAMM-RUDMAN-HOLLINGS

I'm sorry Senator Hollings isn't here, but I think that I probably understand the Gramm-Rudman-Hollings bill as well as any.

One of the things that this bill did, is make it impossible to get a supplemental appropriation that breaks a deficit ceiling which the sequester brought back to what the ceiling legally was.

Any addition to the Federal budget, at this time, must be zero sum. In other words, if we can find some money someplace else and put it in, then we can do it. If we can't find that, then any supplemental, any spending of money, that breaks the budget deficit ceiling for that year is subject to a point of order and if the point of order is contested, it will take three-fifths to overrule that point of order which, of course, would be 60 votes in the Senate or three-fifths of those present voting.

Now, it is conceivable that we could, because of this extraordinary situation get the supplemental. People might feel that this is very important, this is a very special case and that's why it was put in there. The bill isn't rigid, it just makes it more difficult to spend money.

I am sure, for instance, if the FAA came and said we're about to have major air traffic problems, we need an extra $100 million, you would probably get the three-fifths. If the President had a national emergency, we could probably get some money. If there was an earthquake in San Francisco, we could get some money, so it's all a question of what will people vote for.

Will they vote for this? I don't know the answer to the question, but we're going to pursue it. I want you to understand the difficulty here and the purpose, of course, was to keep from happening what's been happening around here to these supplementals. They keep getting just totally loaded up with literally hundreds of millions of dollars which adds to budget deficits and which nobody takes responsibility for. It worked at our appropriations mark up this week where we reported a clean supplemental on the Commodity Credit Corporation, got out of committee in 20 minutes, to the floor, and passed it last night by voice vote. Why? Because everybody knew that it was almost fruitless to try and add on a Christmas tree amentment because it wasn't going to get anywhere. They couldn't get 60 votes. So it's already working in that sense. It's obviously difficult, in this case.

Do you want to comment, at all, on that point before I leave it, Senator Bumpers?

Senator BUMPERS. No. We spent all day yesterday on that CCC bill because Tom Harkin and some of us thought that we wanted to offer an amendment, as you know, to advance loan payments to farmers, and it was going to be subject to a point of order and require 60 votes and we knew we couldn't do it, so we finally settled for a sense of the Senate resolution.

Mr. PELL. Mr. Chairman, may I just say——

Senator RUDMAN. Yes, of course.

Mr. PELL. —to emphasize what Chairman Forbes has said and I do appreciate what you just had to say.

We took our 4.3-percent cut out of a budget which had very little slack in it and we had to make some painful decisions. We're not talking here, at least, about a Christmas tree.

Senator RUDMAN. Absolutely.

Mr. PELL. We're talking about a situation over which we have no control whatsoever.

Senator RUDMAN. I recognize that.

Mr. PELL. And we're also talking about a situation which, when reversed, enabled us, as a semi private corporation, to actually return monies to the Treasury, which we did.

Senator RUDMAN. Mr. Pell, I wasn't presuming, for a moment——

Mr. PELL. I understand, sir. I just think that the record should show that we're not asking for additional programs, people or enhancements; we're iust asking to stay at the post Gramm-Rudman-Hollings cut level.

Senator RUDMAN. We understand that. I am simply telling you that it gets more and more difficult. This is a very special situation. I dare say you are probably one of the few agencies in the government—the State Department has some of these problems as well, of course—but you have a very special problem because almost all of your money is spent in foreign currency.

Mr. PELL. That is correct.

Senator BUMPERS. If you fellows can figure out some way to make those transmitters explode, the President will probably give you all you want.

Mr. WATTENBERG. Mr. Chairman, if I could just make one point.

Senator RUDMAN. You certainly may.

Mr. WATTENBERG. Make one point on the foreign policy level, rather than on the actual budgetary level.

You know, it is a great irony here, that as we are moving into this era of summits of so-called hardheaded detente and so on and so forth, the whole concept of real change in the world being engendered by the contents of ideas rather than by people shoving each other around, is gaining momentum.

I was on Senator Lugar's delegation to the Philippines where we saw, at first hand, the incredible power of the press and what it was able to do.

At a time when here we have Radio Liberty and Radio Free Europe, which are really the primary megaphones into Eastern Europe, certainly, to some extent into the Soviet Union, waging this contest of ideas, to be in this sort of a situation where we have attempted for 5 years, and with bipartisan support, to try to get a few more people and a few more transmitters and get it out of the Stone Age of electronics into the modern world, to end up in this situation, sort of makes a grown man want to cry, I must say.

I'm a great hawk on military spending and things like that, but by any standard of equilavency, what we're talking about here in terms of Pentagon money is not even coffee money, it's the stirrers for the coffee money.

I know we're in a very difficult year, but we're talking about nickels compared to that budget and it's so terribly important in terms of our foreign policy and, as I say, I think you'll find the entire spectrum of the Congress from liberals to conservatives agreeing though we have our little fights about the budget, but——

Senator RUDMAN. I don't think you'll find any disagreement, probably, from any member of this subcommittee on what you said, Mr. Wattenberg. I have great respect for you and what you say.

I'm sure you understand that the only way to get budget discipline is to start someplace and there are lots of supplementals, some are urgent and some are not. I will tell you that I think this is urgent and I will do what I can to talk to the leadership to see if we can get special treatment because you have had a currency loss, due to no fault of your own, and essentially you are unable to carry out the mandate of the Congress because, if we don't get these funds for you, a relatively small amount of money, then you cannot——

Mr. WATTENBERG. Not only through no fault of our own, but our Government and the Congress, for very good reasons, was purposely trying to lower the value of the dollar and——

Senator BUMPERS. And this is the perverse effect of it.

Senator RUDMAN. That's exactly right. We knew there would be perverse effects, that's why I described it as a bad idea whose time has come, but I dare say, by the time this year is over, we're going to end up with a much lower deficit than we would have had otherwise, and hopefully we'll get these things fixed.

Let me go on and ask Mr. Forbes a couple of other questions and I'm going to yield to Senator Specter.

Senator SPECTER. If I may say a word, I can't stay.

Senator RUDMAN. Yes.

Senator SPECTER. I would like to submit some questions for the record.

Senator RUDMAN. That's fine.

Senator SPECTER. Sorry there are so many conflicting committees. Thank you.

Senator RUDMAN. There is a lot going on. Thank you, Senator Specter.

CAPITAL MODERNIZATION PROGRAM

Senator RUDMAN. The Capital Modernization Program has an estimated cost of $210 million, 1987 through 1990; $41 million will be appropriated in fiscal year 1987. I just want to ask you what the impact would be, a realistic evaluation, if you will, of continuing current services for the next several years. We've got so many domestic programs we're going to ask to hold at current services levels, maybe with additions for inflation and so forth. Why can't the Board for International Broadcasting do that even though it may not be what you would really like to do, but what would be the effect of that?

Mr. FORBES. Of cutting back on the capital?

Senator RUDMAN. Yes.

Mr. FORBES. I think the——

Senator RUDMAN. And recognize, of course, that what Mr. Wattenberg has said is quite correct, that $41 million, as I said previously, is probably two coats of paint on an MX missile. So, I understand exactly what you're saying. But, knowing where all the forces are in this town, I would like to know just exactly what would happen if we just scaled that back and stretched it out for a bit?

Mr. FORBES. Well, as President Pell will lay out in detail for you, this program of capital modernization is already being stretched out from what we're capable of doing right now.

The reason for, just to put it in historic perspective, the need for modernization is that in the 1960's and much of the 1970's, we did not modernize our capabilities of transmitting and one statistic that sticks in my mind is that the BBC, the British Broadcasting Corporation, did a study of the amount of resources that the Soviet Union devotes to jamming our broadcasts. The conclusion was that the Soviets now dedicate the equivalent of between $750 million and $1.2 billion in jamming Western broadcasts.

If you add up all the budgets of the Western radios—Radio Free Europe, Radio Liberty, Voice of America, Deutsche Welle, BBC—put the whole shebang together, you will find that the Soviets are devoting twice as much in the way of resources to jamming as we are to broadcasting.

So to bring our transmitting capability up to a point where determined listeners can hear something of what we transmit, we began this modernization program of bringing up the power of our transmitter capabilities to Portugal, Spain, and Germany. That total program, I believe, comes to roughly $77 million. We have already begun it in this fiscal year and will continue for the next several fiscal years.

It simply will just enable us to keep the ability to get some sort of meaningful signal into Eastern Europe and the Soviet Union.

Given the changes in technology, given the fact that the Soviets are now bringing in special equipment to jam signals in cities with populations as small as 250,000—previously it was a million and then half a million and now 250,000—the message will have a very hard time getting through.

That covers a total of $77 million which covers bringing our power up to the modern age so that we can, at least, have some assurance that some of the time the signal will get through. At some parts of the day—engineers can explain why better than I can—the jamming is more effective than at other times. We know that for a certain number of hours a day, we can get a semidecent signal through if this program is completed.

TRANSMITTER SITE IN ISRAEL

Now the other part of the capitalization program is for a new transmitter site in Israel. It's a joint venture with the VOA, Voice of America.

Senator RUDMAN. Is that the one that's going to cost, for the two agencies, $287.7 million?

Mr. FORBES. Yes. Our prorated share is $150 million.

The importance of that is that it is aimed particularly at Central Asia, the Moslem population of the Soviet Union. That is the fastest growing proportion of the Soviet population. It will give us what engineers call a one hop signal. Right now the signal we get through to this critically growing part of the Soviet population is very, very weak. This area is very critical because this part of the Soviet population is becoming increasingly important. This will enable us to get a signal into that part of the world that we're now able to get, I believe, part of the time into Eastern Europe and parts of the Soviet Union.

So, it's a once in a generation opportunity to get a site to broadcast into a critical area of the Soviet Union. Looking out into the future becomes more and more critical simply by demographics, not to mention what is happening in Afghanistan.

So, the $10 million estimate for fiscal 1987 is for engineering studies, site planning, that sort of thing. The real expenditure will come in probably fiscal 1989 or fiscal 1990. The reason—and we can get for you more technical reasons, but as it's been explained to me, the nonengineer—is that the kind of equipment that is needed for that part of the world is far more sophisticated than, so-called buying off the shelf, than we would use in Portugal or Spain or Germany. It is very sophisticated.

Moreover, in that part of the world, there are water requirements, obviously security requirements. It's a project on very different scale from what we would have in Western Europe.

So, I think, to answer your question and I hate to sound like we're not cooperating because as President Pell pointed out, we did make the 4.3-percent cuts in 1986, so we're willing to do our part, as you say, as long as everyone else is going to do theirs. We're good soldiers.

But this modernization was delayed in the 1960's and 1970's. We've had a lot of catching up to do because until recently, until this modernization began, our signal was becoming weaker and weaker, in effect, into our audience countries.

So the program has already been stretched out. You could do it at a far faster pace and the real lion's share of that is, as I mentioned earlier, for Israel.

And let me just close by making one point which I think is important to have on the record, just to show what happened to us in the 1970's.

PERSONNEL REDUCTIONS

In 1970, if you took Radio Liberty and Radio Free Europe and combined them together, they employed over 2,700 people.

The radios were formally combined in the 1970's, so you would save 100 jobs or 200 jobs on administration, but overall, in the 1970's, because of budget cuts we took then, we had a net loss of 800 jobs. We went from a total employment of 2,700 to less than 1,700.

So, our administrative capabilities were gutted. Our programming was sharply curtailed and only in the early 1980's did we begin to put the pieces back together again.

So, I just mention that to show that we went through a very rough period in the past and there was some catching up to do. We really haven't done it. We only got 75 of those 1,000 jobs back and on the modernization side, there is a lot of catching up to do; hence the relatively large numbers.

NEW TRANSMITTER CONTRACTS

Senator RUDMAN. Let me ask a question on those transmitters. Are they going to be, as the saying goes around here, made in the U.S.A. or, paid in the U.S.A.?

Mr. FORBES. As President Pell just told me the other day, it is an American manufacturer that has won the contracts for those new transmitters.

Gene, why don't you give the details on that.

Mr. PELL. Well, we just placed an order for 8 new 250 kilowatt transmitters with Continental Electronics, an American firm, made and paid in the U.S.A.

Senator RUDMAN. That's good.

Mr. PELL. We are buying one off-shore, that is foreign manufactured, transmitter which we need and which is immediately available to us. I am certainly on record, and was at the VOA, that when and where American products are available, that's the way we should go.

Senator RUDMAN. I don't have many more questions. I got most of what I wanted in the first 20 minutes of this hearing. I've got it all on the record and I'm going to talk to some people about your testimony here today.

CONSULATE IN KIEV

After the summit, there was an agreement to open a consulate in Kiev. In regard to Radio Liberty, are you going to be expanding your broadcasts to the Ukraine? Will these broadcasts include programs for Ukrainian Catholic and Jewish communities in the Ukraine? Is there any plan for that?

Mr. FORBES. Mr. Chairman, we recognized about a year and a half ago that the Ukraine was a critical part of the Soviet Union and that we should substantially increase our Ukrainian service. It is much, much too small.

Unfortunately, we have not been able to get resources to expand it to the extent that we think is proper given what you just outlined—the size of their population, the fact that there will be a consulate in Kiev. We would like to do more; it's just a matter of not having the resources to do what we would like to do.

Senator RUDMAN. Is there anything that you would like to add because my questions related mainly to your urgent supplemental.

MODERNIZATION

Mr. WATTENBERG. I just wanted to add one short point on the modernization thing and particularly that transmitter in Israel.

As Steve said, it is aimed at that South Central Moslem area in the Soviet Union. You know, I dabble in demographics. The differential birth rates between the Moslem population in the Soviet Union and the Russian population are so incredible, I mean it's 5.5 children per woman compared to 1.8 children for the Soviet women.

You have a situation where the ethnic Russians are going to become a minority in the Soviet Union and the explosive demographic area is in that South Central area where there is a lot of academic argument as to how disenchanted they are with the central government, but it is the area where, if we were pursuing this enterprise intelligently, where we would be concentrating our activity to increase transmission power.

Gene, in some of those services, we're only broadcasting what, an hour a day, or half hour a day?

Mr. PELL. An hour or a half hour. Mr. Chairman, that goes directly to your question about the effect of further stretching the modernization program. Your colleague from New Hampshire, Senator Humphrey, for example, is very interested in the Radio Free Afghanistan project. So are we. However, we are now at the capacity of our transmitters. In order to begin those broadcasts to Afghanistan in the Dari language, we had to delete a broadcast in another language which we consider to be of equal importance. The longer we stretch the modernization effort the less capacity we have to either increase existing language broadcasts or add anything new.

Senator RUDMAN. Thank you very much. We're faced with some difficult choices this year, but to really state those choices, I'm going to tell all the witnesses, particularly when the State Department gets here and the Justice Department gets here, with their multi-billion dollar requests for increases in their budget whether or not they work for the same administration, because if they do, then the essential question is going to have to be answered finally in this Congress and in the country. If we think we need all of these things, and if that is the concensus, then somebody is going to have to pay for them and it isn't going to be the people in Canada. Thank you very much.

SUBMITTED QUESTIONS

The committee has additional questions which we will ask you to respond to for the record.

[The following questions were not asked at the hearing, but were submitted to the Board for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR RUDMAN

QUESTION: The authorization for the Board for International Broadcasting is 125 million dollars. Your request exceeds the authorization level by 42.5 million dollars. Do you intend to request an increase in the authorization level from the Foreign Relations Committee? If this increase is denied, do you expect the Appropriations Committee to exceed the authorization?

ANSWER: On March 24, 1985, proposed authorization legislation for fiscal year 1987 was transmitted from the Board for International Broadcasting to the Congress. The increase of $42,509,000 over the already authorized $125,000,000 will (1) offset the difference in exchange rates from the previous year in which the authorization was enacted until November 30,1985 ($16,348,000); (2) increase support for Radio Free Europe/Radio Liberty for inflation and other required costs overseas ($3,761,000); and (3) provide additional funds to complete radio facilities modernization already begun ($22,400,000). If the Foreign Relations Committee prefers not to increase the total authorization of appropriations for 1987, BIB could be directed to rely on permanent authorization for the adverse effects of currency fluctuations (Sec. 8(a)(2) of the Board for International Broadcasting Act of 1973, as amended) and on previously authorized amounts that were earmarked but not utilized in fiscal year 1986 for radio facilities modernization (Sec. 8(c) of the same act) to cover most of the requested increase.

QUESTION: The Congressional Budget Office baseline estimate for the Board for International Broadcasting is $102 million in budget authority in 1987. If you received this amount, what would be the impact on your operations?

ANSWER: The Board for International Broadcasting requires $126,786,000, as the Office of Management and Budget established a budget rate of DM 2.53, for operations in FY 1987. This is a treadmill budget, providing only for cost-of-living and inflationary increases over the FY 1986 base budget. If the Board receives only the baseline authority of $102 million, it would mean a 20% reduction in the operating budget for FY 1987. As 70% of the annual budget is required for personnel compensation, a reduction of this magnitude would leave only 10% to meet contractual obligations for office space, power and license agreements; provide security and other professional services; and provide minimal maintenance and office services. These obligations could not be met without making serious, damaging cuts in programming. One third of the senior broadcast staff is scheduled to retire by 1990; it will not be possible to recruit and train replacements, meaning that small broadcasting services in important Baltic and Soviet Central Asian areas could be faced with curtailed programming. In addition, computer expansion and technical modernization would be halted; power for broadcasting to the Soviet Union and Eastern Europe would be reduced; program services would be unable to avail themselves of freelance expertise; and travel would be virtually stopped.

QUESTION: The Radio Free Europe/Radio Liberty capital modernization program is estimated to cost an additional 210 million dollars from 1987 through 1990, of which almost 41 million dollars would be appropriated in 1987. What would be the impact of simply continuing current services for the next few years? If many domestic programs are expected to do this, why can't the Board for International Broadcasting?

ANSWER: The present RFE/RL shortwave transmission system, which consists of 45 transmitters with a total capacity of 7,500 kW, does not reach the entire land mass of Soviet Asia and has lost significant signal effectiveness in Eastern Europe and the European broadcast area of the USSR because of increased jamming and spectrum congestion and the influx of shortwave transmitters with power outputs greater than 250 kW.

The requested capital modernization program of $77,250,000 for existing sites in Germany and Portugal, and $150 million for a new site in Israel, would address these problems. Continuing current services funding levels would preclude completion of this modernization project begun in Portugal with FY 1985 funding. The new transmitter currently being purchased will be rendered useless for all practical purposes without funding for the needed switch matrix. For these funds not to be granted will result in the signals of RFE/RL becoming more and more difficult to receive. The demand for the usage of the shortwave broadcast spectrum in Europe is the most competitive in the world. This fact, in conjunction with the fact that jamming and its unwanted effects are the greatest also in Europe, underlines the need for broadcasters in that part of the world to upgrade their facilities. In fact, many broadcasters in that region of the world are now doing so. BBC is well along in bringing five new 500 kW shortwave transmitters on the air. In fact, current projections show that up to 250 - 500 kW transmitters will be on the air by 1995.

These funds requested for RFE/RL are not only for replacing older, under-powered transmitters or for building new facilities; these funds are also for a complete modernization of each station's entire transmitting systems — i.e., transmission line switch matrixes, transmissions lines, antennas, etc. The effects of stretching these needed funds are rather complex. It is obvious that the effects of inflation will make it more costly to complete these projects. There are even more serious effects of delaying funding on ongoing projects. For example, 8 - 250 kW transmitters for the Gloria transmitting station have been ordered. However, funds available from a FY 1985 supplemental will not permit the purchasing of another critical component costing $10 million, which, if not installed with the new transmitters, will result in significantly diminishing the effectiveness of these new transmitters. The capital funds requested in FY 1987 for all existing stations are needed if the carefully developed plan of modernization of these facilities is to be accomplished. To delay these funds will result in half-finished projects and less efficient facilities.

The technical effectiveness of the five RFE broadcast services are evaluated daily at three monitoring sites located respectively in Berlin, Vienna and Salonika. An analysis of these evaluations, from 1979 onwards, shows that RFE/RL has found it necessary to schedule more transmitters and more power in some of its services, because of increased jamming and/or congestion in the shortwave bands. For example, in the case of the Polish Service, since the Winter of 1981 when martial law was declared in Poland and jamming was intensified, it has been necessary to schedule almost twice the number of transmitters previously utilized. However, this unplanned scheduling of transmitter resources into the Polish Service did not check the loss in effectiveness, and required that fewer transmitters be scheduled in other services than the 1976 standards established.

Therefore, every transmitter in the present minimum dimensional system is in use during priority listening hours, and there is no reserve capability for maintenance or contingency needs. The system is "grid-locked" so to speak, and cannot accommodate requirements for additional programming, or short period enhancement of transmitter schedules during unforeseen political events, such as recently occurred in Poland, or resumption of jamming on Hungarian or Romanian programs without removing transmitters from another service. Hence, effective contingency planning is not possible with the existing transmission system. All these technical factors, including the significant changes in the electromagnetic environment since 1977, underscore an urgent need for the modernization of existing transmitting facilities and the construction of new facilities, so that RFE/RL can maintain a strong and effective radio signal.

Maintaining a strong and effective radio presence in our audience areas in the years ahead is also necessary for geo-political reasons.

Relative to its past history, the USSR has never before confronted such a formidable array of internal economic, societal and demographic problems. Soviet leaders themselves have begun to speak of the regime as at a "turning point". A strong Radio Liberty could play a particularly positive role at this critical juncture.

In Eastern Europe, the decades-old Western policy of "differentiation" is clearly bearing fruit. Individual countries, in varying degrees, are seeking greater independence from the Soviet Union. Internally, their publics, again in varying degrees, are also seeking a greater measure of freedom. This process, now irreversible, makes it more important than ever that East Europeans have full access to the information and analysis that Radio Free Europe is uniquely able to provide.

Finally, the technical modernization of the RFE/RL transmitting system is necessary because the United States has committed itself to "the free flow of information and ideas across borders" by its signature on the Helsinki Final Act (1975). Having also secured the formal assent of the Soviet and East European regimes to this principle, we must now convince them that they have no real alternative to observing it in practice. The image that the Eastern "man in the street" has of America is of a land inhabited by technological wizards whose present achievements offer a glimpse of his distant future. He cannot believe that the United States, if it so wills, could not place a radio signal in his technologically backward country which would elude even the most determined jamming. It is in our and the free world's interest that we confirm the East's stereotypical image of American prowess.

The success of a total transmission modernization program depends primarily upon the willingness of strategically located host countries to provide adequate sites for the proposed transmission facilities, and sufficient frequencies for their operation. Considering the complex political problems involved and the critical shortage of frequencies, this will require vigorous negotiation at the highest level possible on the part of the U.S. Government with potential host countries.

For these foregoing reasons, RFE/RL is only requesting funds for the final modernization of its existing transmitting stations, for the conversion of a receiving station, and for a new station in Israel for the purpose of effectively broadcasting to Soviet Central Asia. Funds for the other new transmitting stations will not be requested until the negotiating for an agreement with a host country is near conclusion.

QUESTION: I understand 10 million dollars of your request is connected with a joint Board for International Broadcasting/Voice of America shortwave relay station in Israel. The total cost for the project for both agencies is estimated at 287.7 million dollars over the next four years. That sounds awfully expensive for radio transmitters. Why is the estimated cost so high and where will the broadcasts be targeted?

ANSWER: The exact costs of constructing the joint BIB/VOA U.S. shortwave broadcasting station in Israel cannot be exactly determined until an agreement with Israel has been concluded.

The VOA has been acting as the lead engineering agency on this project, and their engineers have been conducting their studies in close coordination with RFE/RL engineers in order to ensure that RFE/RL's needs are fully met.

VOA engineers, based on preliminary site surveys, estimate the joint cost of this project to be $287.7 million -- i.e., $150 million BIB, $137.7 million VOA. This station will consist of 16 - 500 kW transmitters, 47 curtain antennas, and the other needed elements.

RFE/RL will use 10 of the transmitters and 19 of the antennas for the purpose of broadcasting an effective signal into Soviet Central Asia and for the purpose of improving its penetration of jamming into some of its existing European services.

QUESTION: Last year the Committee provided $433,000 to begin broadcasting to Afghanistan in two native languages. Has this broadcasting begun? How often does it operate, and do we have any indications the broadcasts are getting through?

ANSWER: The first broadcasts by Radio Free Afghanistan began on October 1, 1985. The language of broadcast is Dari. Interviews with Pashtu speakers are proceeding and management intends to broadcast in both languages eventually. The initial broadcast schedule called for a 15-minute broadcast twice a week. On February 13, this schedule was expanded to three 15-minute programs a week. Each of these original programs is repeated for a total of 90 minutes of RFA broadcasts a week. We intend to increase programming to seven days a week as additional personnel come aboard. Initial monitoring reports indicate good audibility in much of the country.

QUESTION: What is the current exchange rate for the German Mark?

What is the exchange rate assumed in your budget request? Will this result in a shortfall in 1987?

ANSWER: The German Mark exchange rate is currently DM 2.2525 to the Dollar. The DM exchange rate assumed in the FY 1987 budget request of $126,786,000 is DM 2.53 to the Dollar. At current exchange rates the projected shortfall for FY 1987 will be $12,174,000.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

QUESTION: How many vacancies now exist in the Board's eight authorized positions?

ANSWER: One vacancy exists in the Board's nine authorized positions, i.e., the Foreign Information Officer position vacated by James Critchlow, who has retired. In addition, Mr. Anatole Shub is, at the request of the State Department, on non-reimbursable detail service, serving as Executive Director of the U.S. Delegation to the World Administrative Radio Conferences.

QUESTION: What is being done to fill the vacancies?

ANSWER: The Financial Manager position which was vacant has been filled and the selectee entered on duty March 16.

A selection for the Executive Director position was also made and approved by the Office of Personnel Management (OPM). Dr. Bruce D. Porter, the selectee, will report for duty on April 7. The Board has determined to take no action with respect to further staff determinations until the new Executive Director has had an opportunity to review the overall organizational structure and staff requirements of the BIB.

QUESTION: Mr. Forbes, how much time will your other responsibilities allow you to put to the work of the Board?

ANSWER: I have, and will continue to, devote as much time as required to assure the effective performance of this very important institution.

QUESTION: In view of the limits on your time, as well as the other members of the Board, isn't it imperative that Mr. Roberts' successor be the most experienced and talented person available?

ANSWER: In our judgment, Dr. Porter is the most experienced and talented person available. Moreover, the effective functioning of the BIB is dependent upon the strength of the entire staff. We expect that Dr. Porter will provide the necessary leadership and will counsel us as to staffing requirements.

QUESTION: How many applications has the Board received, and what procedure will the Board follow to ensure that only the highest-ranked applicants are considered for this most important position?

ANSWER: We convened two panels to consider the qualifications of the candidates for the position of Executive Director. Because of concerns as to the composition of the first panel (two of whose three members were employees of the BIB), a second panel was requested and convened. The members of the Executive Resource Board were:

Richard K. Berg -
General Counsel
Administrative Conference of the U.S.
ES-6

Harry J. Gilmore
Director
Office of Central European Affairs
Department of State
Foreign Service Officer, Class 1

Richard H. Mooers
Director of Personnel
Interstate Commerce Commission
ES-4

Messrs. Berg and Mooers are both members of the Senior Executive Service and Mr. Gilmore holds a position that is equivalent to SES. Mr. Berg is very familiar with the BIB from past work in reviewing BIB performance appraisals for its SES members. Mr. Gilmore brought to the Board his experience in international affairs and broadcasting. Mr. Mooers, a charter member of the SES, is an expert in Federal personnel with a great deal of experience in filling positions at the SES level.

Mr. Angelo R. Manginelli, the Acting Executive Director, served as the resource person familiar with the position for which the candidates were evaluated; and Ms. Loretta Terando, a senior member of the Office of Personnel Management Executive Personnel staff, facilitated the meeting, provided staff support and served as executive secretary to the Board.

We received a total of thirty applications which the Board reviewed prior to its meeting. The Board rated all thirty applications, grouped the candidates into four broad categories, and forwarded the applications of the top nine candidates the Chairman.

QUESTION: In view of the previous discussion, can we dismiss the rumors we have heard that the Board has predilection in favor of a $36,000 RFE/RL Research Assistant by the name of Bruce Porter for this $72,300 position?

ANSWER: The question does not accurately capture Dr. Porter's qualifications. Dr. Bruce D. Porter in his current position is a Senior Analyst for the Northrop Corporation Analysis Center. In addition, while serving at Northrop he has been active as an Adjunct Fellow in Soviet Studies at the Center for Strategic and International Studies, Georgetown University. He previously served as a professional staff member of the Senate Armed Services Committee under the tenure (as ranking minority members) of Senators Henry M. Jackson and Sam Nunn. He earlier served as a Senior Research Analyst for RFE/RL. He earned his Ph.D. in Political Science at Harvard University. In addition, he has been a Danforth fellow and was a Teaching fellow at Harvard and a Research Assistant at the John F. Kennedy School of Government at Harvard. He is fluent in German and Russian. He has written for a number of scholarly publications and is the author of The USSR in Third World Conflicts (Cambridger University Press, 1984) and a co-author of The Polish Drama: 1980-1982 (Lexington Books, 1983.)

Dr. Porter's salary at the Northrop Corporation is $69,368 per annum. During 1985, he received total income from the Northrop Corporation of $89,492.25. This figure included his salary, an annual performance bonus of $18,000.00 and a stock grant worth $5,231.25. As Executive Director, Dr. Porter's basic pay is being set at ES-5, which currently pay $70,500.

QUESTION: By the way, how high did the panels that reviewed the applications for the Executive Director's position rate Mr. Porter?

ANSWER: The first panel that met on February 10 did not review and rate all the applications for the Executive Director position. The second panel, i.e., the Executive Resources Board, reviewed all the applications for the Executive Director position and rated Dr. Porter's technical qualifications as follows:

74 (Berg), 77 (Gilmore), 82 (Mooers).

On March 4, 1986, the Office of Personnel Management Qualifications Review Board (an ad hoc panel of three SES members) approved unanimously Dr. Porter's managerial qualifications under 5 U.S.C. 3393(c)(2)(C).

New Transmitters

QUESTION: You indicate that four 100 kW replacement transmitters have been delivered for installation in West Germany, and that contracts have been signed for eight new 250-kW for replacement of 100-kW transmitters in Portugal.

Have all of these transmitters been ordered from American manufacturers?

ANSWER: All orders for transmitters since 1976 have been placed with American manufacturers. It has always been RFE/RL's policy to give preference to U.S. firms. However, in cases where there is only one U.S. firm manufacturing the needed equipment, competitive bids are solicited from foreign manufacturers. In every such case, a U.S. firm has won the contract.

RFE/RL, Inc.'s procurement procedures require that three competitive bids be obtained for all purchases in excess of $100,000.00. Competitive bidding usually results in the best equipment at the best price. In soliciting competitive bids for the kW shortwave replacement transmitters, it was necessary to obtain quotations from both U.S. and foreign firms since there was only one American manufacturer capable of quoting on the contract. In this case, four foreign firms were also invited to submit bids. The contract was awarded to the American manufacturer.

Broadcasting to Soviet Jewish Population

QUESTION: On February 9, 1986, the Senate received the report of the Task Force of the Board for International Broadcasting on broadcasting to the Jewish population of the Soviet Union which was submitted in response to Public Law 99-33. Sec. 306. We also have the Board 's annual report for 1986.

1. On April 10, 1985, former President Buckley of the RFE/RL wrote to the Chairman of the House Foreign Affairs Subcommittee on International Operations that a new program "Judaism" was being prepared, which would be aired in addition to the already existing half-hour program. Taking that into view, the House Committee replied, and the conference adopted the following position:

> "However, the committee feels that further expansion of original programming is needed."

The conference report directed the Radios "to strengthen existing broadcasts to Jewish audiences in the Soviet Union."

QUESTION: A) The task force report says that because of the "recent doubling of the annual hours devoted to Jewish programming....programming devoted to the needs of Soviet Jews should not be increased." (p.1) Is that the same "recent doubling" which President Buckley referred to last year?

ANSWER: Yes

QUESTION: B) Does that mean that the task force rejects the Congressional wish that programming hours be increased?

ANSWER: The Congressional wish was originally put forth on April 11, 1985. Subsequently, on August 17, 1985, the Congress instructed the BIB to "conduct a study on the advisability and feasibility of increasing broadcasts to the Jewish population within the Soviet Union," and to determine "whether expansion of original programming scheduled ('Jewish Cultural and Social Life') or planned ('Judaism'), is fulfilling the needs of the audience. . ." We presume the August, 1985, mandate to be controlling and expressive of the then wish of the Congress to determine whether the "recent doubling from 52 to 104 original scripts a year" referred to by President Buckley did in fact meet the needs of this audience. The Task Force reached the conclusion that these two programs, which are devoted exclusively to the needs and interests of Jewish listeners in the USSR, plus the concentration on issues of concern to Soviet Jews in other regularly scheduled broadcasts ("Human Rights" and "Documents and People") are fulfilling the needs of this particular audience. RFE/RL audience and opinion research support this conclusion.

QUESTION: C) Why, then, waste the taxpayers' money, at a time when there is too little in the budget for legitimate needs, preparing a report which simply reiterates what the BIB said a year ago?

ANSWER:

1. The study was ordered by the Congress (Public Law 99-33, Sec. 306).

2. No monies were budgeted or expended in the preparation of the reports, although considerable amounts of unpaid overtime and weekend hours were devoted to the project by senior executives of RFE/RL. It is, however, correct that there is too little in our budget for legitimate needs, including upgrading and expanding any of our present broadcast services, modernizing our facilities, coverage of news events, automating our news and program functions, adequately housing our personnel, or compensating for a dramatic loss in the value of the dollar.

3. The report does not simply reiterate what was said a year ago. A year ago no expansion of programming exclusively designed for the Soviet Jewish audience had been implemented. A year ago 1985 audience research data was not available. A year ago we did not have the benefit of the opinions of those interviewed by the task force. The findings and recommendations of the task force may be considered a confirmation of what was stated a year ago, but hardly a reiteration.

QUESTION: The same Congressional mandate of last year called for the following:

> "In order to facilitate such program expansion, the Committee feels that Radio Liberty should designate, within the existing structure, specific personnel and an administrative unit responsible for Jewish audience programming."

QUESTION: A) Who has been designated to staff this unit?

ANSWER: The unit, specifically a committee, within the existing structure, i.e. the Russian Service of Radio Liberty, is comprised of the following personnel:

- Dr. Constantine Galskoy,
  Director, Russian Service
- Mr. Victor Gregoriy,
  Chief Editor, Russian Service
- Mr. Nicholas Petroff,
  Assistant Director, Russian Service
- Mr. Lev Roitman,
  Executive Editor, Russian Service
- Ms. Molly Riffel-Gordin,
  Senior Program Specialist, Russian Service

The administrative unit for Jewish audience programming is the same as for the Russian Service, since there is not sufficient administrative work to justify a separate unit. The administrative unit consists of:

- Mr. Roy Glashan,
  Administrator, Russian Service
- Ms. Gerda Gruber,
  Secretary, Russian Service
- Ms. Ira Muratli,
  Secretary, Russian Service

QUESTION: B) To whom does the unit report?

ANSWER: The above unit, or, committee, reports through channels to Dr. Constantine Galskoy. The ultimate responsibility for Jewish audience programming in Radio Liberty rests with Dr. Nicholas Vaslef, Director, RL.

With respect to operational reporting, which is concerned specifically with programming, the two editors responsible for "Judaism" and "Jewish Cultural and Social Life" are, respectively, Arkady Lvov and Lev Roitman. The reporting structure is as follows: Mr. Roitman to Chief Editor Victor Gregoriy to Director, Russian Service, Constantine Galskoy; Arkady Lvov to Professor Maurice Friedberg to Assistant Director Nicholas Petroff to Director of the Russian Service Constantine Galskoy.

QUESTION: On page 3 of the task force report, it says that you "systematically interview Soviet citizens traveling abroad..." regarding these programming needs.

QUESTION: A) Last week the White House was upset that ABC interviewed Vladmir Posner after the President's speech. Is this the type of Soviet Jew you interviewed for this report?

ANSWER: The Soviet Jews interviewed for the report were recent emigrants from the USSR, not elite media figures.

QUESTION: B) On p. 19 of the 1986 Annual Report, you state that "Soviet and East European Travellers are subject to a peculiar selection process." Is this not a contradiction of what you state in the task force report?

ANSWER: Soviet travellers in the West are unlikely to include active regime oppositionists. In this sense, travel is not unrestricted. However, as best as we can determine, a broad spectrum of the population is eligible for travel abroad. The data in the report, however, is essentially based on interviewing recent emigrants from the USSR, most of whom are Jewish and include former refuseniks and dissidents in their ranks.

QUESTION: C) How many Jewish refuseniks and cultural activists are allowed to travel?

ANSWER: Jewish refuseniks and cultural activists are not allowed to travel, but this point is not relevant since the data is essentially based on interviewing of emigrants.

QUESTION: D) Why should we believe that specially selected Soviet travellers are going to accurately reflect the needs of the Jewish refusenik and activist community in the Soviet Union?

ANSWER: See Point C.

QUESTION: Section 306 of Public Law 99-33 directed BIB to prepare a report regarding Jewish broadcasting. The opening paragraph of the task force report says that the "views of many Jewish employees of Radio Liberty as well as many free-lance contributors..." were solicited.

QUESTION: A) Is being Jewish a qualification for expertise in this area?

ANSWER: Being Jewish alone does not qualify a person as an expert in this or any other area. However, over many years of experience it has been found that Radio Liberty's Jewish staff members and free-lance contributors are often active in various Jewish organizations and current on Jewish affairs, both inside and outside the Soviet Union. In addition, many of RL's Jewish contributors have extensive contacts in Israel and with former friends and colleagues from the USSR. Many still have viable contacts with friends or relatives inside the USSR. As a result, there is an information network among these employees that is essential for broadcasting to Jewish audiences in the USSR.

QUESTION: B) The report of the task force was requested by the Congress because there were serious questions regarding the performance of the employees of the BIB in this area; is it appropriate that those very employees be a primary source of analysis for the task force?

ANSWER: Radio Liberty believes these employees have contributed important information to the task force on broadcasting to Jewish audiences. The performance of RL employees was not questioned so much as the time alloted to Jewish programming. Since the employees surveyed for the most part deal on a daily basis with Jewish problems in the USSR, it is believed they are best qualified for this project. Not all information they submit may be objective because the issues involved are highly emotional and personal. At the same time, the opinions of other employees were also solicited by the task force in order to obtain a diversity of views on this subject. Moreover, the Congress requested that RL employees take part in the task force. It also should be pointed out that the task force was appointed by the BIB and that it worked closely with Vice-Chairman Ben Wattenberg, whose liaison with RFE/RL was Stephen Miller, the Director of American Programming. In the course of preparing the report, Wattenberg and Miller interviewed at length a number of key figures from leading American Jewish organizations, and they expressed a wide range of opinion about the question under consideration.

QUESTION: C) How many free-lance contributors were consulted and should we reasonably expect them to be neutral and objective in their assessments any more than we can expect BIB employees to assess their own performance objectively?

ANSWER: Ten free-lance contributors were consulted on Radio Maccabee and Jewish programming in addition to a larger number of regular staff members, not only in Munich, but New York, Washington, D. C., London and Paris.

Note on Questions: Assume Questions 4B and 4C refer to Radio Liberty employees, not BIB employees. No BIB employees were consulted by the task force. RFE/RL answered based on the aforementioned assumption.

QUESTION: On page 7 of the 1986 Annual Report you write, "There are less frequent broadcasts on other languages." For example, a weekly feature in the Latgallian dialect is part of the Latvian program, the new twice-weekly broadcast in Dari to Afghanistan is part of the Tajik Service, twice-weekly Russian Service broadcasts addressed to the cultural and spiritual concerns of the Soviet Jews may include brief excerpts in Yiddish or Hebrew.

QUESTION: A) Does the Soviet Union not recognize the Jews as an official nationality?

ANSWER: Yes, it does.

QUESTION: B) Are the interests of the speakers of the above-mentioned dialects a more important foreign policy consideration of the United States than the interests of the United States and the interests of Soviet Jews?

ANSWER: We believe the interests of all speakers of all languages and dialects in which we broadcast are important to U.S. foreign policy considerations. The Congress clearly shares that view as expressed in its mandate to begin broadcasts to Afghanistan. We have begun those broadcasts and are expanding them, but at the moment broadcast only 45 minutes of original programming each week to the 12 million Dari-speaking people of Afghanistan as opposed to one hour per week of special programming to the USSR's 1.8 million Jews. Further, the weekly feature in the Latgallian dialect is one 30-minute segment of the total Latvian Service schedule. Special programs exclusively for Jewish listeners in the Soviet Union comprise eight percent of total original broadcasting in the Russian Service, and are supplemented by heavy concentration on subjects of special interest to Jewish listeners in other programs of the Service.

We broadcast these programs in Russian because that is the language which 98% of Soviet Jews know. Dr. Maurice Friedberg, the eminent head of the Department of Slavic Languages and Literature at the University of Illinois, is a permanent advisor and consultant to the RL program JUDAISM. He is of the opinion that very few Soviet Jews know Hebrew. Other observers believe that perhaps 10% of the Soviet Jewish population understands Yiddish, but there are no reliable figures available. Among Jews of the Jewish Autonomous Oblast 14.2% regarded Yiddish as their native tongue in the 1979 All Union USSR Census. However, RL's broadcast signal does not reach this part of the country.

QUESTION: C) How many people speak the Latgallian dialect? Are they more significant numerically than the Jews?

ANSWER: We estimate that approximately 350,000 Latvians speak the Latgallian dialect. This equals approximately one quarter of the total ethnic Latvian population (1,400,000), which is 54% of the total territorial population of the Latvian SSR (2.6 mil).

According to the 1979 census, Jews make up 0.69% of the population of the USSR, or 1,810,876.

QUESTION: On page 7 of the 1986 Annual Report you say you broadcast round the clock in Russian, nearly all day to Poland, Hungary, Czechoslovakia. . . an hour a day in some of the Turkic languages (see Fig. 2). According to Fig. 2 you broadcast an hour a day in Tajik, Kirghiz, and Turkmen. You broadcast 3 hours per day in Tatar, Armenian, Georgian, Estonian, Latvian, Lithuanian, Belorussian, and Kazak.

QUESTION: A) Why is it then impossible to broadcast an hour a day of the Jewish audience?

ANSWER: At this time RFE/RL does not have personnel, resources, or transmitter capacity to initiate any new broadcast services or expand existing ones. Any program additions would be at the expense of existing services. For example, starting broadcasts in the Dari language to Afghanistan required taking transmitter time away from the Tajik Service and placing personnel "on loan" from already strapped services to produce programs. The question might also be asked - and often is by representatives of other Soviet nationalities - "Why does Radio Liberty broadcast no programs at all in our language?" This question was recently put to us by U.S. representatives of the Cossack nationality, who number some 20 million people in the USSR. Our resources are finite, and language priorities and hours of transmission are not unilaterally decided by the management of RFE/RL. We are guided by the Board for International Broadcasting on such matters. The Board, in turn, consults with the Department of State, National Security Council, United States Information Agency and other relevant bodies in reaching such conclusions.

Still, RL already devotes at least an hour a day to developments and issues of particular interest to Soviet Jews. The human rights programming, samizdat, and several of the news shows deal extensively with Jewish concerns. This is in addition to the two weekly programs exclusively devoted to Jewish themes.

QUESTION: B) Is the interest of the U.S. Government in Soviet Jews so much less than its interest in all of the above-mentioned peoples?

ANSWER: Obviously, the U.S. Government has a high level of concern for Soviet Jews, a concern which has been demonstrated by successive administrations. Radio Liberty shares that concern and is fully conscious of its responsibilities to Jewish listeners. That is why we broadcast the two programs each week specifically for this audience, and why we devote a considerable amount of broadcast time in other programs to subjects of special interest to Jewish listeners, such as the refusenik issue and the Helsinki agreements.

RL's office of Soviet Area Audience and Opinion Research (SAAOR) conducts systematic sampling and analysis based on interviews with Soviet emigrants. Of the latest 230 interviews conducted, 221 of the respondents identified themselves as Jewish. Data from these interviews is consistent with previous samples. The responses clearly show that the Soviet Jewish audience differentiates among the various Western broadcasters to the USSR. Radio Liberty, above all, is known among Soviet listeners for two things; it is the Western station that concentrates on the USSR, and it is inseparably linked with the struggle of Soviet dissidents. Because of this linkage with the struggle for human rights and the number of ex-Soviet Jews the station employs for its broadcasts, RL is also inseparably linked in the audience's mind with the struggle of Soviet Jews.

Proportionally, no other nationality group listens to RL more than Soviet Jews. This is illustrated by the fact that among recent emigrants as many or more reported having listened to RL as to Kol Israel.

Ironically, RL's heavy emphasis on the dissident movement (which is linked with the Jewish rights movement), its Jewish religious programs, its use of Jewish emigrants as programmers, and its large Jewish audience have resulted in a propaganda campaign in the USSR to label RL as an anti-Soviet, Jewish station. It is clear from comments made by both Jewish and non-Jewish respondents that Soviet authorities attempt to play upon anti-Semitic feelings and use them as an instrument against Radio Liberty. There are complaints from non-Jews that the station is too supportive of the cause of Jewish dissidents and broadcasts too much about it. But no Jewish listener RFE/RL interviewed ever said the station was anti-Semitic.

The latest 1985 data show 75% of RL's Jewish emigrant listeners praising the station for its coverge, as opposed to 55% of the BBC's listeners and 49% of VOA's. The most recent sample of Soviet Jewish emigrants responded as follows when asked, "Would you prefer that Radio Liberty broadcast more, less, or the same amount of the following types of programs:

	More	Less	Same
dissident programs	26%	8%	71%
religious programs	6%	16%	78%"

As to the other nationalities cited, Radio Liberty also feels a strong responsibility for these listeners. The U.S. is committed to the non-recognition of the forcible incorporation of the Baltic States into the USSR, a policy recently reinforced by the transfer of the Estonian, Latvian and Lithuanian Services to Radio Free Europe, a change suggested by Senator Charles Percy. We believe the current broadcast of less than one hour of original material per day to these nations is insufficient, but we lack the resources to expand these broadcasts. U.S. concern for the peoples of Soviet Central Asia is self-evident. This is the area of most rapidly growing population in the USSR, and an area of potential strategic significance. RL is the only Western station which broadcasts in many of the languages of Soviet Central Asia, whereas the interests and needs of Jewish listeners in the USSR are served not only by RL's programs but by those of the VOA, BBC, Deutsche Welle, and Kol Israel.

Nevertheless, RL's management is fully aware of the station's special relationship with Soviet Jews. This is evidenced not only in RL's heavy emphasis on human rights programming, but also in the high approval rating accorded the station by Soviet Jews now living in the West. Within the constraints described in the report of the Task Force, programming for or about Soviet Jews will continue to be enhanced.

QUESTION: On page 14 of the 1986 Annual Report, you refer to a GAO report entitled, "Improved Oversight Can Reduce Broadcast Violations at Radio Free Europe/Radio Liberty, and you say that it was agreed that the alleged broadcast violations occurred primarily in the Russian and Ukrainian programs. In the report of the task force, you argue that the Russian Service, apparently without the oversight and staff responsibility asked for by the Congress in its report, is responsible for Jewish broadcasting.

QUESTION: A) What assurance do we have that the responsible people in the Russian Service are attending to the needs of Jewish broadcasting, especially when they are among the main perpetrators of alleged violations?

ANSWER: The two editors/compilers of "Judaism" and "Jewish Cultural and Social Life," Mr. Lev Roitman and Mr. Arkady Lvov are both Jews. Neither was involved in the production of the six controversial programs. Subsequent editorial control for "Jewish Cultural and Social Life" is vested in the Chief Editor/Deputy Director of the Russian Service, Mr. Victor Gregoriy, and in the Assistant Director of the Russian Service, Mr. Nicholas Petroff, for "Judaism." In both instances, the final responsibility for the airing of all Russian Service programs lies with Dr. Constantine Galskoy, the Director of the Russian Service. Dr. Galskoy took up his duties on 16 September 1985, one year after the alleged violations occurred.

QUESTION: B) I understand that a Jewish employee of Radio Free Europe/Radio Liberty was dismissed because he publicized allegations of anti-semitism at the Radios, including within the Russian Service. Is this so?

ANSWER: Although RFE/RL disagrees with the employee's characterization of those programs, he was not dismissed for having written an article critical of Radio Liberty, nor did the anti-Semitism issue have anything to do with the matter. While his failure to a secure prior permission for the publication of his article was a clear breach of a long-standing conditions of employment at RFE/RL, Inc., disciplinary action was limited to a reprimand. In spite of this consideration, he answered the reprimand, stating in writing that he would not feel bound to this long-standing condition of employment and would violate it again in the future if a similar case were to occur. It was for this explicit defiance of long-standing company policy that RFE/RL, Inc. felt it necessary to dismiss him.

QUESTION: C) I understand that the above-mentioned employee is suing the United States Government in the German court for improper and unlawful dismissal according to German labor law. Is this so?

ANSWER: The above-mentioned employee is not suing the United States Government in the German courts. He is suing Radio Free Europe/Radio Liberty, Inc., a United States corporation, incorporated in the State of Delaware, operating as the recipient of a federal grant. The employee is suing to have the termination of his employment set aside, contending that it is in conflict with German law. He is also requesting that the reprimand that preceded termination be removed from his personnel file.

All German labor laws and regulations, on which the termination was based, were properly observed by RFE/RL, Inc.

The presiding judge has stated in an informal oral summary that he found the reprimand justified and proper. He was further of the opinion, however, that the Radios had an obligation to talk with the employee and give him an opportunity to withdraw his written statement that he did not intend to abide by the long-standing condition of employment at RFE/RL to obtain permission prior to publishing material referring to RFE/RL. Termination on the basis of his letter was not justified, according to the judge. The formal written court decision is not expected for several weeks and is subject to appeal.

QUESTION: On page 15 of the Annual Report, you write "since the Board's inception, its staff has maintained regular contact with State Department specialists..."

QUESTION: A) With whom have you consulted at the State Department Regarding Soviet Jews?

ANSWER: The sentence quoted above, from pp.15-16 of the BIB Annual Report, has to do with "the necessity of maintaining the professional independence and integrity of RFE/RL, Inc.," rather than the question of Soviet Jews. To the best of our knowledge, no one at the State Department has been consulted regarding Soviet Jews. However, RL periodically receives feedback from the US Embassy in Moscow regarding our Jewish programs, including assessments of specific programs.

QUESTION: B) What was their assessment of Jewish broadcast needs?

ANSWER: State Department assessment consists of comments on specific RL programs for Jewish audiences in the USSR rather than assessment of Jewish broadcast needs. Individual Jewish listeners in the USSR can critique RL programs. There is, of course, no spokesman for Jews in the USSR who could definitively and correctly assess what kind of broadcasts they need or would like to have. RL's

Soviet Area Audience and Opinion Research unit provides the only reliable poll of this nature.

QUESTION: C) Have you consulted members of Congress who have travelled to the Soviet Union and have met with Jewish refuseniks and cultural activists? What are their views in this regard?

ANSWER: We have consulted members of Congress, journalists, diplomats and businessmen who have first-hand knowledge of the conditions and situations of refuseniks and activists. The general view is that Radio Liberty has a high level of listenership and acceptance among Soviet Jews, more so than any other Western broadcaster to the USSR. Certainly the programs currently being broadcast fill a vital need, first and foremost, in terms of providing information about events and people not otherwise available. Second, they provide a link to culture, history, and heritage that cannot be found elsewhere. There is a concern about how much broadcast time should be devoted to this specific audience. Too little will not meet the need. And some observers believe that too much may be counter-productive, possibly fomenting anti-Semitism in that the Russian Service would appear to be devoting an excessive amount of time to Jewish topics at the expense of topics of general interest to all those in the Soviet Union who understand Russian.

The current President of RFE/RL, Mr. Eugene Pell, has first-hand experience in this regard, having served from 1978-80 as the NBC News Correspondent in Moscow. In that capacity he met frequently with refuseniks and activists. He concurs with the findings of the task force that the current program mix is correct, but that further efforts to strengthen and improve existing programs can and should be made.

QUESTION: On page 33 of the 1986 Annual Report, the Mission of the Radios is described as including the following considerations: "In broadcasting...to nations with an aggregate population of more than 335 million people, RFE/RL observe demographic, historical and political priorities." There follows a long list according to broadcast language.

QUESTION: A) How are the needs of the Jewish community met, if it appears on no such list?

ANSWER: RL's large Jewish audience is not on this list because the list is organized according to language. The vast majority of Soviet Jews count Russian as their native tongue and that is the language of broadcast for programming addressed to Soviet Jewry although Yiddish and Hebrew are occasionally used. The needs of the Jewish community are met by two weekly programs specifically geared to Jewish religious and cultural interests. In addition to these programs, RL has a heavy emphasis on human rights in its feature programming, and the human rights movement in the Soviet Union is closely linked to Soviet Jewry's struggle with the authorities. Much of our daily human rights and samizdat programming is devoted to this struggle. RL's large Jewish audience is testimony to both the station's concern and its programming patterns.

QUESTION: B) How does this correspond to the statement on page 13 that "The BIB exercises its statutory mandate to 'assess the quality, effectiveness and professional integrity' of the broadcasts 'within the context of the broad foreign policy objectives of the United States.'"

ANSWER: The BIB regularly assesses the quality and effectiveness of all RFE/RL programming. This is done by contracting with noted scholars for independent program reviews. These studies examine the programs for quality and effectiveness as well as compliance with broadcast policy and the broad foreign policy objectives of the United States. The BIB's most recent review of the Ukrainian Service was submitted in October 1985 by Professor John Armstrong, of the University of Wisconsin. The most recent BIB-sponsored review of the Russian Service was submitted in August 1984 by Professor Leon Lipson, of Yale. In the absence of more recent reviews of the Russian Service, RFE/RL commissioned its own review by Professor Peter Reddaway of the London School of Economics. This report was submitted in September 1985. In addition to the above, the BIB staff has periodically conducted its own surveys of program content both for quality and policy compliance.

QUESTIONS SUBMITTED BY SENATOR LAUTENBERG

QUESTION: According to what criteria does Radio Liberty apportion available broadcast hours among the groups to which they broadcast?

ANSWER: Radio Liberty and Radio Free Europe are guided by the Board for International Broadcasting in terms of overall policy, including which languages to be broadcast, number of hours of transmission in each language, and times of transmission. The BIB, in turn, consults with the Department of State, the National Security Council, the United States Information Agency, other relevant government agencies, and the management of RFE/RL in determining broadcast priorities.

QUESTION: What is the population of each group to which Radio Liberty broadcasts in the Soviet Union?

ANSWER: The last census in the USSR was in 1979. Based on Soviet data, which we believe to be basically correct, the population figures of each group to which Radio Liberty broadcasts in the Soviet Union are (in millions), in descending order, as follows:

Russians	137.4
Ukrainians	42.3
Uzbeks	12.5
Belorussians	9.5
Tatar-Bashkirs	7.7
Kazakhs	6.6
Azeris	5.5
Armenians	4.2
Georgians	3.6
Tajiks	2.9
Turkmens	2.0
Kirghiz	1.9
Jews	1.8

Sources: Narodnoye Khozyaystvo SSSR, 1922-1982, Moscow, 1982, p. 33.

Narodnoye Khozyaystvo SSSR, v.1984 g., Moscow, 1985, p. 26

QUESTION: If funds were available, is there room for expansion of the programs "Judaism" and "Jewish Cultural and Social Life" without interfering with other programming?

ANSWER: No. We have only a finite number of frequencies and hours available for broadcasting. If one program is expanded, another one must be decreased or eliminated. However, there is always room for improvement in existing programs and Jewish themes and interests can also be given more emphasis in, for example, the human rights programming.

QUESTION: Will the new budgetary constraints resulting from Gramm-Rudman affect broadcasting services now available? How?

ANSWER: RFE/RL has reduced its FY 86 operating budget by $4.3 million in accordance with requirements of the Gramm-Rudman-Hollings legislation. These reductions were achieved through cuts in travel and free-lance funds, elimination or postponement or urgently needed computer projects and a decision not to fill 27 positions, funds for which had originally been appropriated. Ten of these positions had been designated for direct program support, thus leaving us unable to achieve program improvement and, in some cases, expansion. Ten of these 27 positions were designated for the engineering department, four for computer modernization and three for administration. Because of the priority assigned to these latter functions, management is re-programming other slots to fill the urgent enginering needs, thus causing further deficiencies in other elements of the organization.

More serious than Gramm-Rudman-Hollings reductions, however, is the effect of the devaluation of the U.S. dollar. Eighty percent of our operating budget is used to purchase foreign currency (67 percent for German marks, the balance for Spanish pesetas and Portuguese escudos). Seventy percent of our operating budget is devoted to personnel compensation. There is little slack which permits efficiencies beyond those already introduced because of Gramm-Rudman-Hollings.

If we do not receive a supplemental appropriation to make up foreign currency losses we shall be forced to cease operations. At the current dollar-deutsche mark value we stand to run out of operating funds for FY 86 by the end of June. Should that happen, it is possible that we may have to cease broadcasting altogether. Because personnel compensation accounts for seventy percent of our operating costs, savings on power, transmitters, etc. would not even make up the difference.

Further, we operate in an environment where union contracts and German labor laws greatly restrict our ability to achieve savings. For example, we have 137 employees with less than two years' service. Were we to terminate all of them, our FY 86 savings would amount to only $75,000 because of severance payments and other contractual obligations. More important, we would negate all previous efforts to rejuvenate a rapidly aging staff by terminating those we have most recently hired.

Still more complicating is the fact that a termination count in excess of fifty people requires us to petition the Bavarian Labor Ministry for approval to take the action, and substantiate that our budget allocation does not permit us to retain those employees. Tied to this approval would be a requirement to establish a "social plan" with the Works Council to determine which employees would be terminated, to provide additional severance payments, to arrange for re-training of employees, and to meet other social needs of those affected.

Our budget contains no provision for covering the costs of extensive staff reductions. Funds would have to be appropriated for this purpose.

QUESTION: I understand that since 1984, 6 programs which have been characterized as anti-Semitic have been broadcast on Radio Free Europe/Radio Liberty. Is there a procedure at the stations for employees to register formal criticism of such broadcasts or programming decisions made by Radio Free Europe/Radio Liberty.

ANSWER: It needs to be pointed out that we don't accept the charge that these programs were clearly anti-Semitic. In his testimony before Congress in 1984, Senator James L. Buckley, who was then president of RFE/RL, vigorously disputed the charge that these programs were anti-Semitic. And a report by Congressman Larry Smith, while showing deep concern over the controversial programs and calling for a strengthening of RFE/RL's oversight procedures, discerned no pattern of anti-Semitic programming at RFE/RL. The programs were controversial, and some people thought they contained elements that may have been offensive to Jewish listeners, but others did not. It should also be pointed that since 1984 there haven't been any allegations about a particular program's being anti-Semitic. Now regarding our procedure: There is first the normal editorial procedure that exists in any news organization which involves the give and take among writers, editors, and supervisors before a story or broadcast is cast in final form. An employee who wishes to register formal criticism has the full chain of command of the organization available to do so. In fact, management has actively called for such criticism. Former President James Buckley, in a December 7, 1983 letter, appealed to employees to bring any allegations of anti-Semitism directly to his attention. His letter read, in part, "If anyone has evidence of any anti-Semitic remarks or references by the Russian or other Services...I hereby request that a copy of the original script and an English translation of the offending passages be delivered to me personally." Present RFE/RL management continues to maintain an open-door policy on employee complaints of programming anomalies.

Second, the Radios' Broadcast Analysis Department has responsibility for daily monitoring and analysis of broadcasts in all languages. It was, in fact, this Department that brought to light the possibility of policy violations in the six, 1984 programs cited. This analysis function has recently been strengthened.

Third, in January 1986, RFE/RL instituted a systematic, comprehensive program review mechanism, under which each of the twenty-one broadcast services is subjected to a thorough review of its product and policies by a team of senior managers representing all elements of the organization. This "open forum" review provides yet another means for the registering of criticisms.

QUESTION: Last spring, Vadim Belotserkovsky a Jewish emigre, and producer of a radio series on labor issues at Radio Liberty was fired. Was Mr. Belotserkovsky discharged for lodging a complaint about a broadcast he considered anti-Semitic? What review procedures were followed in his termination?

ANSWER: While we consider Mr. Belotserkovsky's charges to be inaccurate, he was not terminated because of the substance of these charges but because of his refusal to adhere to well-known requirements of Article III, Section 5B of the union contract which requires prior approval by management of specified publishing activities. Mr. Belotserkovsky was not discharged for writing an article for "The Nation," but for refusing to comply with company regulations when they were explained to him following the publication of his article in "The Nation." While this article did make reference to allegations of anti-Semitism, the allegations themselves were not at issue.

Article III, Section 5B states:

"As a rule, the employee may pursue journalistic activities and participate in person and in writing, in radio and television programs and in public meetings on cultural affairs, provided such activities do not adversely affect the legitimate interests of RFE/RL, Inc. Approval by RFE/RL, Inc. shall be required only if

-- RFE/RL, Inc. material or information not available from other sources is used.

-- The publication concerns activities of RFE/RL, Inc."

When Mr. Belotserkovsky was reprimanded for publishing in violation of this rule -- and the rule itself was explained to him --, Mr. Belotserkovsky informed management in writing that he would not be bound by this section of the union contract. He was then terminated. The decision to terminate was reviewed at every appropriate level of RFE/RL management from the Director of the Russian Service through the Directors of Radio Liberty, Personnel, Administration, and finally the President of RFE/RL.

JAPAN-UNITED STATES FRIENDSHIP COMMISSION

STATEMENT OF DR. W. GLENN CAMPBELL, CHAIRMAN, JAPAN-UNITED STATES FRIENDSHIP COMMISSION

ACCOMPANIED BY:
LINDLEY S. SLOAN, EXECUTIVE DIRECTOR
JOSEPH B. SCHRIEBER, PROGRAM OFFICER

Senator RUDMAN. The next witness will be W. Glenn Campbell, Chairman of the Japan-United States Friendship Commission. Dr. Campbell, we welcome you here today. Your entire statement will be in the record and you may summarize your statement and we'll have a few questions for you.

Dr. CAMPBELL. Fine, Senator, that's exactly what I planned to do and I must say that I am pleased to testify before you today on behalf of the Japan-U.S. Friendship Commission and with me are two members of the Commission's professional staff, Lin Sloan on my right is the Executive Director and Joe Schreiber is the Program Officer.

In my summary, I am going to provide a general overview of the Commission's origin, purpose, financial situation and current programs.

I think we are all aware of the tremendous economic accomplishments of Japan and its growing importance in world affairs and extensive coverage in the media also reminds us daily of our disputes with Japan over trade and defense issues.

I do not dwell on these matters in my testimony, but rather indicate the continuing relevance and increased importance of the work of this Commission in the improvement of United States-Japanese relations.

In passing the Friendship Act in 1975, the Congress acknowledged the unique character and great importance of the relationship between the United States and Japan.

Because of centuries old differences in thought patterns, value systems, social and economic behavior, decision making processes, means of communication, congressional leaders felt the need to strengthen the foundation of the United States-Japan relationship through long term educational, public affairs and cultural exchange programs.

On page 3 of my testimony, I set forth the program objectives contained in the original legislation which focus on scholarly research, library development, exchange of professors, scholarships, programs in the arts, et cetera.

In the Friendship Act, Congress also appropriated the Japan-United States Trust Fund, an endowment denominated in both yen and dollars with a combined value of approximately $36 million at the exchange rates then in effect. At the end of fiscal year 1985, the value of the two funds equaled approximately $34 million.

These two funds represented a portion of the money paid by Japan to compensate the United States for post-World War II assistance and for certain public facilities built by the United States and Okinawa prior to its reversion to Japan in 1971.

The Commission was authorized to invest the Fund in government obligations in both countries, and to expend the interest earnings, subject to annual appropriation thereof, and up to 5 percent annually of the original principal of the Fund, to carry out the purposes of the act. Aside from a generous gift of $2 million from the Japanese Government in 1981, the Fund has not been augmented.

Details of the Commission's financial statement and projected needs are contained in our formal appropriation request which was forwarded to you earlier.

I also enclose with this testimony a summary status report on the Commission's funds for your convenience.

PROGRAMMING AND DIRECTIONS

I turn now for a brief look at the Commission's current programming and directions. The Commission remains true to the original intent of its legislation. We continue to make grants in support of research and teaching on Japan in our institutions of higher learning, but in recent years, we have given greater attention to training of specialists on Japan in economics, business, law and journalism.

A program to encourage curriculum development and faculty training in the field of American studies in leading Japanese universities have shown marked progress in the past year.

Exchange of legislators, school administrators, journalists and other professional groups remains an important part of our program.

With our support, a network of 18 Japan-America societies around the country has become increasingly effective in informing local audiences on the complex issues in contemporary United States-Japan relations, particularly in the area of trade and investment.

In addition to these well established program modes, the Commission is exploring some new paths. In conjunction with its semiannual meeting in April last year, the Commission held a day-long "policy" discussion. With important inputs from Senator Jacob Javits, whom many consider to be the founding father of the Commission and Senator William Roth, who is one of our Commissioners, the Commission decided that the current state of United States-Japan relations made it mandatory that the Commission give priority attention to the critical trade and defense issues plaguing relations between the two countries. While the Commission cannot be expected to play the role of a mini-Department of Commerce or U.S. Trade Representative's office, we can, we believe, make an important contribution, through support of training, research and public affairs programs dealing with these problems.

Accordingly, we are expanding our existing support of graduate schools of business, which are incorporating courses in Japanese business organization and practices into their curricula. We plan to scale down assistance to long-standing language and areas studies programs at traditional university centers of Japanese studies, and to provide more to budding centers in nonelite institutions, if I may use that term, Senator, especially in the Midwest, the Northeast, the South and the Mountain West

Particularly as Japanese investment grows in various parts of the United States, local officials, educators and business leaders are approaching us for support. We will continue to support the Japan-American Societies throughout the country, particularly in the public affairs area and in this connection, we'll make every effort to secure replenishment of the Japanese gift fund of $2 million to this type of activity.

We are also taking a more active role in the public TV media area, especially in promoting programs that provide balanced airing of current United States-Japan issues. To compensate for the foregoing change in program emphasis, we will be making significant reductions in our funding for libraries, the arts and purely academic research.

The Commission believes that this shift in priorities will then enable it to bring some of its assets to bear on contemporary issues in the United States-Japan relationship while continuing to support longer term educational and cultural programs designed to promote cooperation and mutual understanding.

And, for the record, I have attached to my testimony, a list of some recent and planned projects which will illustrate the Commission's priorities I have just outlined.

Finally, to conclude my testimony I would like to convey the opinion of the man who is on the front line in our often difficult dealings with Japan, Ambassador Mike Mansfield. This letter dated August 26, 1985, was written to Chairman Paul Laxalt of this subcommittee following the House action on the Commission's budget last year. With your permission, I will——

Senator RUDMAN. We'll put it in the record, if you would like.

Dr. CAMPBELL. Fine.

Senator RUDMAN. I think I have seen the letter.

Dr. CAMPBELL. Fine.

Senator RUDMAN. We'll put it in the record with your statement.

Dr. CAMPBELL. Then I thank you for listening to my statement.

Senator RUDMAN. Thank you very much, Doctor.

[Prepared statement of Dr. Campbell follows:]

STATEMENT OF CHAIRMAN W. GLENN CAMPBELL

JAPAN-UNITED STATES FRIENDSHIP COMMISSION

Mr. Chairman and distinguished Members of the Subcommittee:

I am pleased to testify before you on behalf of the Japan-United States Friendship Commission. I have with me two members of the Commission's professional staff - Lindley S. Sloan, Executive Director, and Joseph B. Schreiber, Program Officer. The third member of the staff, Dr. Eric Gangloff, represents the Commission in Japan and is not with us today. I would like to give you a general overview of the Commission's origins, purpose, financial situation, and current programs.

We are all aware of the tremendous economic accomplishments of Japan and its growing importance in world affairs. Extensive coverage in the media reminds us daily of our disputes with Japan over trade and defense issues. I do not propose to dwell on these matters in my testimony but, rather, to indicate the continuing relevance and increased importance of the work of the Commission in the improvement of Japanese-American relations.

In passing the Japan-United States Friendship Act (P.L. 94-118) in 1975, the Congress acknowledged the unique character and great importance of the relationship between the United States and Japan. While the history of the past forty years demonstrates that the United States and Japan have much in common in terms of broad national objectives, the record also shows that centuries-old differences in thought patterns, value systems, social and economic behavior, decision-making processes and means of communication can easily lead to mutual misunderstanding. Moreover, there is a language barrier that seems all but insurmountable, especially for Americans, and a severe imbalance in the amount of attention that the two countries devote to each other. Thus, Congressional leaders felt the need to strengthen the foundation of the U.S.-Japan relationship through long-term educational, public affairs, and cultural exchange programs. The Congress was searching for the means to develop the knowledge, the leaders, and the ongoing cooperative relationships throughout the two societies which would improve the likelihood that problems which arose on the national level might be resolved on a basis of mutual understanding and respect. In the light of current events, perhaps this was too tall an order, especially for one small agency, but one can hardly disagree with the importance of the overall objective. To carry out these efforts, the Commission was established in 1975 to provide:

(1) support for studies, including language studies, in institutions of higher education or scholarly research in Japan and the United States, designed to foster mutual understanding between Japan and the United States;
(2) support for major collections of Japanese books and publications in appropriate libraries located throughout the United States and similar support for collections of American books and publications in appropriate libraries located throughout Japan;
(3) support for programs in the arts in association with appropriate institutions in Japan and the United States;
(4) support for fellowships and scholarships at the graduate and faculty levels in Japan and the United States in accord with the purposes of this Act;
(5) support for visiting professors and lecturers at colleges and universities in Japan and the United States; and
(6) support for other Japan-United States cultural and educational activities consistent with the purposes of the Act.

We have interpreted this final purpose broadly in order to facilitate programming in our current priority fields of policy-oriented research on trade and security issues, curriculum development on Japan in U.S. business schools, and public affairs programs dealing with contemporary problems in the U.S.-Japan relationship.

In the Friendship Act, the Congress also appropriated the Japan-United States Trust Fund, an endowment denominated in both yen and dollars with a combined value of approximately $36 million at the exchange rates then in effect. (At the end of fiscal year 1985, the value of the two funds equaled approximately $34 million.) These two funds represented a portion of the money paid by Japan to compensate the United States for post-World War II assistance and for certain public facilities built by the United States on Okinawa prior to its reversion to Japan in 1971. The Commission was authorized to invest the Fund in government obligations in both countries, and to expend the interest earnings, subject to annual appropriation thereof, and up to five per cent annually of the original principal of the Fund, to carry out the purposes of the Act. Aside from a generous gift of $2 million from the Japanese Government in 1981, the Fund has not been augmented.

In FY 1985, the Commission awarded more grants - a total of 127 - than in any previous year. Program outlays were also at near-record levels, totaling $3.4 million in both the dollar and yen funds. These figures reflect the growth of the Commission's role in Japan studies, educational and professional exchange, and policy-oriented research and public affairs programs dealing with current issues. Outlays for FY 1986 will be reduced because of the Congressional cut of $775,000 in our dollar funds, but we hope to offset partially the impact of this action on our programs by (1) maximizing the use of our drawdown authority on capital, (2) relieving pressure on our dollar fund by transferring as many obligations as possible to the yen fund, (3) reviewing long-standing projects for possible reductions or termination, and (4) insisting, where feasible, that grantees put up "matching" funds. Details of the Commission's financial status and projected needs are contained in our formal appropriation request which was forwarded to you earlier. I am also enclosing with this testimony a summary status report on the Commission's funds for your convenience.

I turn now for a brief look at the Commission's current programming and directions. The Commission remains true to the original vision of its founders and the intent of its legislation. The Commission continues to make grants in support of research and teaching on Japan in our institutions of higher learning, but in recent years has given greater attention to the training of specialists on Japan in economics, business, law and journalism. Our program to encourage curriculum development and faculty training in the field of American studies in leading Japanese universities has shown marked progress in the past year. Exchanges of legislators, school administrators, journalists, and cultural and artistic groups remain an important part of the program. With support of the Commission, a network of 18 Japan-America societies around the country has become increasingly effective in informing local audiences on the complex issues in contemporary U.S.-Japan relations, particularly in the area of trade and investment.

In addition to these well established program modes, the Commission is exploring some new paths. In conjunction with its semi-annual meeting in April last year, the Commission held a day-long "policy" discussion. With important inputs from Senator Jacob Javits ("founding father" of the Commission) and Senator William Roth (one of our Commissioners), the Commission decided that the current state of U.S.-Japan relations made it mandatory that the Commission give priority attention to the critical trade and defense issues plaguing relations between the two countries. While the Commission cannot be expected to play the role of a mini-Department of Commerce or U.S. Trade Representative's office, it was felt that the Commission could make an important contribution through support of training, research and public affairs programs dealing with these problems. Accordingly, we are expanding our existing large program of support of graduate schools of business who are incorporating courses on Japanese business organization and practices into their curricula. We plan to scale down assistance to long-standing language and areas studies programs at traditional university centers of Japanese Studies, and provide more to budding centers in non-elite institutions, especially in the midwest, south and mountain west. We will continue to support Japan-America societies throughout the country, particularly in the public affairs area, and, in this connection, will make every effort to secure a replenishment of the Japanese Gift Fund of $2 million for this type of activity. We are also taking a more active role in the Public TV/Media area, especially in promoting programs which provide balanced airing of current U.S.-Japan issues. To compensate for the foregoing change in program emphases, we will be making significant reductions in our funding for libraries, the arts and purely academic research.

The Commission believes that this shift in priorities will enable it to bring some of its assets to bear on contemporary issues in the U.S.-Japan relationship while continuing to support longer-term educational and cultural programs designed to promote cooperation and mutual understanding.

With your permission, Mr. Chairman, I would like to submit for the record a list of some recent and planned projects which will illustrate the Commission's priorities I have just outlined.

Finally, I would like to convey the opinion of the man who is on the "front-line" in our often difficult dealings with Japan - Ambassador Mike Mansfield. This letter, dated August 26, 1985, was written to

Chairman Laxalt of this Subcommittee following the House of Representative's action on the Commission's budget last year. I quote:

"Dear Paul:

"I want to add my voice to that of our former colleage Jack Javits, and to those of many others concerned with the future of the U.S.-Japan relationship, and urge you to do all possible to restore the FY 86 appropriation denied by the House to the Japan-U.S. Friendship Commission.

"We are all deeply concerned about the huge unfavorable trade imbalance on the Japanese side. But there is another imbalance which is over the long-term even more disturbing and which has contributed more than its share to worsening trade relations. That is the imbalance in the exchange of knowledge and information between Japan and the United States. There are many organizations in Japan -- large corporations as well as government groups -- which bring our Japanese competitors up to speed by sponsoring training in the English language, American business customs and American technology. Far fewer resources in the U.S. are dedicated to increasing American knowledge of Japan, its language, and its dynamic business society. The Friendship Commission is one of the few agencies in America dedicated to closing this knowledge gap. It is the most important source of funding for teaching the Japanese language to Americans as well as developing specialists' knowledge of Japan in many fields -- business, economics, law, and technology among them.

"Never before has this part of the Commission's activity been more critically needed. Even more important than its work in broadening the understanding of the U.S. among the Japanese is this task of teaching American businessmen as well as scholars how things really work in Japan.

"Your Committee has before it a great deal of background about the Commission itself and the issue at hand. Let me add only this. When Jack Javits spearheaded the drive to establish the Japan-U.S. Friendship Commission a decade ago, he did so because he foresaw just the kinds of mutually destructive forces we face today. It would be the height of irony to let those forces overwhelm a Commission designed specifically to help Americans and Japanese learn to cope with their differences and deal with each other more constructively." Signed Mike Mansfield.

Status of the Fund

February 1, 1986

I. Appropriated Dollar Fund

U.S. Treasury Obligations

Par Value	Coupon Rate	Maturity
$ 500,000	14%	3/31/86
800,000	12.25%	9/30/86
500,000	11.62%	10/31/86
1,967,000	8.25%	5/15/88
2,939,000	8.25%	5/15/88
700,000	9.25%	5/15/89
856,000	9.25%	5/15/89
1,000,000	10.75%	8/15/90
1,000,000	10.5%	11/15/92
1,000,000	9%	2/15/94
4,867,000	9.125%	5/15/09

$ 16,153,200 - Total U.S. Treasury Obligations
425,700 - Cash on Hand
$ 16,578,900 - Total Appropriated Dollar Fund Resources

II. Japanese Gift Fund

$215,000 - U.S. Treasury Note, 11.5%, Matures 3/31/86
157,992 - Cash on Hand
$372,992 - Total Japanese Gift (Dollar) Fund Resources

III. Japanese Yen Fund

Japanese Government Bonds

Par Value	Coupon Rate	Maturity
¥ 400,000,000	7.4%	5/20/87
150,000,000	7.2%	8/20/87
450,000,000	6.9%	8/20/87
100,000,000	8%	2/20/86
860,000,000	8%	5/20/86
225,000,000	7.7%	11/20/89
650,000,000	7.7%	2/20/90
960,000,000	8%	11/20/86

¥3,795,000,000 - Total Japanese Government Bonds
125,000,000 - Cash on Hand
¥3,920,000,000 - Total Japanese Yen Fund Resources

Recent and Planned Examples of Japan-U.S. Friendship Commission's Projects Dealing with Contemporary Issues

1. Research on high-tech industries in Japan and the U.S. (Stanford University).
2. A sector-by-sector examination of the U.S.-Japan trade problem; research and conferences in both the U.S. and Japan administered by the Council on Religion and International Affairs, New York.
3. A U.S.-Japan "High-Tech" conference to be held at the University of Santa Clara, March 1986, sponsored by the Japan Society of Northern California.
4. A seminar hosted by the Japan-America Society of St. Louis on trade opportunities between the Midwest and Japan (June 18-19, 1986).
5. An analysis by the American Chamber of Commerce in Japan of the implementation and effectiveness of Prime Minister Nakasone's trade liberalization measures.
6. Assistance to the following U.S. business schools in introducing Japan-related material into their curricula: the University of South Carolina, the University of California/Berkeley, UCLA, New York University, Stanford, Cornell, and the University of Pennsylvania.
7. Major assistance to seventeen Japan-America societies located throughout the U.S. Beyond their social/cultural programs, these groups act as useful resources for information on trade policies, investment opportunities, and nuts-and-bolts "how-to" data for local U.S. businesses interested in Japan.
8. Funding for the U.S. Chamber of Commerce in underwriting trade studies and consultants for small U.S. businesses which are interested in doing business with Japan, but which may feel overwhelmed by the complexity of that market.
9. University of Kentucky Conference on "Japanese Business Culture", administered by the Japan Society, March 1986.
10. Mississippi State University conference on the impact of U.S.-Japan trade friction on our security relationship.
11. Briefing book on U.S.-Japan Relations, prepared by SAIS/Johns Hopkins University, including facts and analysis of the trade issue.
12. WGBH/Boston one-hour special on U.S.-Japan trade (to be filmed in Japan) tied to the OECD Summit Meeting in Tokyo, May 1986.

Senator RUDMAN. You know, on that subject, I just want to say, to Mr. Sloan that, quite frankly, your letter of December 20, 1985, to the Chairman—the then Chairman of the Committee, was not terribly appreciated and I'll tell you why.

We had a great deal of difficulty in overturning House action on essentially re-funding the Commission and then, of course, we had the issue of the interest on the dollar trust fund which we did not prevail with and your letter, which went to all members of the subcommittee indicated somehow a lack of support.

In fact it said, "Inasmuch as we have received similar verbal and written assurances of support from Senators Hatfield, Inouye and Hollings, we had anticipated that the Senate would argue for restoration of House cuts." The fact of the matter is what we were concerned about was restoration, you know, of the program and if you would like to comment on that, you may, but I must say——

Mr. SLOAN. If you would allow me.

Senator RUDMAN. Oh, I do.

Mr. SLOAN. I certainly didn't mean any offense, Senator. I think the problem was that the Commission was originally the creature of the Senate. We felt that we were sort of blindsided last year in the House when this happened.

We immediately, of course, went to the Senate and we secured letters which I have with me in case you're interested, from Senator Laxalt and Senator Hatfield, and Senator Laxalt and Senator Inouye had a colloquy on the floor and so forth, all of which said, we will restore your funds, we will restore your funds and we continued to get that message from the staffers right up to the time of the conference and then we found, at the conference, you know, the Commission—the word wasn't even mentioned, so frankly it was just a question of disappointment that this happened because all the letters talked about restoration of our funds and I'll read sections of these if you're interested.

Senator RUDMAN. My point is, I thought maybe I was missing something, but I'm not. The House eliminated funds, period.

Mr. SLOAN. Correct.

Dr. CAMPBELL. Eliminated 50 percent.

Mr. SLOAN. The House voted full elimination of the interest on our dollar fund, that's correct, sir.

Senator RUDMAN. All right.

Dr. CAMPBELL. Right.

Mr. SLOAN. And a compromise was struck.

Senator RUDMAN. And a compromise was struck.

Mr. SLOAN. What I am simply saying is that the Senate had been telling us all along that they would argue for complete restoration so naturally we were disappointed at the——

Senator RUDMAN. I just wanted to point out to you that what goes on in a conference that you observe and what goes on between Members long before you get to that room are two different—totally different situations.

Dr. CAMPBELL. As we found out, Senator.

Senator RUDMAN. And, you know, obviously it was the intention stated in those letters by Senators Hollings, Inouye, Laxalt, Hatfield and others, to do everything that could be done to restore it.

But, I thought that the subcommittee did a pretty good job, in just getting it back. As I recall, I did chair that conference and it was a very very difficult conference, if I'm not mistaken.

Let me just say, I don't have too many questions because of the relatively small size this request and we will certainly support it.

Again here, let me say that one of the problems that we have, that goes far beyond the jurisdiction of this subcommittee and the jurisdiction of your organzation, the Commission, is that dealing with the Japanese industrial sector is becoming more difficult, not less difficult.

The recent Japanese conduct on the United Air Lines, Pan American sale of landing rights was, in the eyes of many, an outrageous attempt at, if I may use the word, "blackmailing" this country into granting something to the Japanese in return for nothing new that the United States carriers received. The only difference was the logo on the airplanes that would be landing and they attempted to, essentially, use that as leverage to negotiate. The semiconductor negotiations are not going terribly well and there is great concern, to that extent, and you mentioned in your testimony, that you can, through your other channels, get the message across.

I will tell you that—

Dr. CAMPBELL. I'll do my best, sir.

Senator RUDMAN. There is very strong anti-Japanese sentiment in the United States Senate. I cannot speak for the House, but I would have to believe, knowing that House Members come from small districts, that it may even be stronger. There are a number of trade bills that are coming out of the Commerce Committee this year, with many amendments on the floor, and much more conduct like that, and the Japanese could wake up some morning and find a piece of legislation that might be neither in their interest or our interest, but nevertheless, could be the law of the land. So I would just make the observation that if there is any area that you can help in, that would be one.

We would like a copy, by the way, of the anaylsis that you are funding by the American Chamber of Commerce, entitled, "The Implementation Effectiveness of Prime Minister Nakesone's Trade Liberalization Measures."

When that is done, we would like a copy of that. When will that be done?

Mr. SLOAN. We have just received that proposal. Our next meeting is April and we hope to be able to fund that project because the American Chamber is very much interested.

Dr. CAMPBELL. Let me also interject, Senator, that I come from the area in California usually referred to as Silicon Valley, so I am painfully aware of these problems.

Senator RUDMAN. I'm sure you are. You're requesting a foreign currency program of $1.3 million. The President's budget requests $1.2. Which is right?

Mr. SCHREIBER. $1.3, Senator.

Senator RUDMAN. $1.3 is right.

Mr. SCHREIBER. We're trying to maximize our expenditure of the yen fund, in fact, to take some of the pressure off the dollar funds. This decision was reached last year.

Senator RUDMAN. The Conference on the 1986 appropriations bill directed that funds approved for domestic programs be spent in the United States. Is that being complied with fully?

Mr. SCHREIBER. Yes, it is. We take a look at every grant proposal and, to the extent that some of that can be funded in yen, that is identified and done.

SUBMITTED QUESTIONS

Senator Rudman. I don't have any other questions. If any of the other subcommittee members do have questions, we will make sure they are submitted to you in time to answer them prior to having the record printed.

Thank you for making the trip.

Dr. CAMPBELL. Thank you for hearing us and I want to assure you that we're doing our best to work in the same direction and in the same common cause that perplexes us and troubles us all.

Senator RUDMAN. We thank you very much, Dr. Campbell.

[The following questions were not asked at the hearing, but were submitted to the Commission for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

JAPAN-UNITED STATES FRIENDSHIP COMMISSION

QUESTION:

DR. CAMPBELL, LAST YEAR SEVERAL OF US ON THE SUBCOMMITTEE FOUGHT HARD TO RESTORE THE BUDGET OF THE COMMISSION AFTER THE OTHER BODY ZEROED OUT THE COMMISSION'S REQUEST FOR FISCAL 1986. SENATOR RUDMAN AND I HAD SEVERAL MEETINGS WITH OUR HOUSE COUNTERPARTS PRIOR TO THE CONFERENCE AND TRIED TO TURN THEM AROUND. WE FOUND THEM ADAMANTLY OPPOSED TO ANY MORE THAN HALF OF THE $1,550,000 REQUESTED. THEY MAINLY POINTED TO YOUR TESTIMONY AS NOT JUSTIFYING ANY MORE THAN THE $775,000 WE WERE FINALLY FORCED TO AGREE TO.

ACCORDINGLY, I WAS QUITE DISTURBED BY THE TONE OF THE SUBSEQUENT LETTER THAT THE COMMISSION'S EXECUTIVE DIRECTOR WROTE TO OUR FORMER CHAIRMAN. PERHAPS MR. SLOAN IS NEW TO THE APPROPRIATION PROCESS, BUT I THINK THE LETTER WAS UNFAIR TO OUR FORMER CHAIRMAN, AS WELL AS THE EFFORTS THAT SENATOR RUDMAN, SENATOR INOUYE AND I PUT FORTH IN BEHALF OF RESTORING THE COMMISSION'S BUDGET. IN MY MIND, THE LETTER IS AN EXAMPLE OF "HOW TO LOSE FRIENDS AND INFLUENCE ENEMIES."

DR. CAMPBELL, WERE YOU CONSULTED BEFORE THIS LETTER WAS SENT OUT, AND IS THIS AN EXPRESSION OF YOUR OWN VIEWS?

Answers by Lindley Sloan, Executive Director, JUSFC: As you may know, Dr. Campbell resides in California. Thus, he is not involved in the day-to-day activities of this office. He was unaware of the letter to Senator Laxalt which apparently offended you and Senator Rudman. The responsibility is totally mine.

As I stated at the hearing, it was not my intent to offend, but merely to register disappointment. In light of the strong letters of support we had received from Senators Hatfield, Laxalt, Inouye and you, and the positive outlook expressed by several Senate staffers, we were optimistic that the Senate would be able to restore the House cut. (Even House staffers had confided that they expected the Senate to be successful in this regard.) Thus, the outcome of the Senate-House conference came to us as a surprise, especially as the Commission was not even mentioned and no Senators raised objection at the meeting. We were unaware of the difficult negotiations between the Senate and House and the concerted efforts of you and your colleagues and staffs which had preceded the conference.

In retrospect, therefore, it is apparent that our faulty judgment was based on incomplete information. Thinking back, this may be due in large part to the surprise (to us) resignations last fall of three key staffers in this affair who had been our principal channels of communication - Sabina Golding Javits of Senator Inouye's office, William Scully of Senator Roth's office, and Rick Spees, majority staff on the Subcommittee. Another factor may have been that we were following Senator Laxalt's advice to concentrate our energies on trying to reverse the House decision (see attached). For a three-person office which had never had to fight a Congressional battle before, it appears that we were simply not able to monitor the situation as closely as desirable.

In any event, now that we have a clearer understanding of what actually transpired, I would like to apologize for the offending letter and to thank you, Senator Rudman and the staff for the efforts which were made on our behalf. While the loss of half of our dollar funding is a severe blow to our program, half a loaf is better than none and we are grateful that the Senate made this possible.

1987 PROGRAM

QUESTION:

THE JUSTIFICATIONS INDICATE THAT IN FISCAL 1987 THE COMMISSION PLANS TO "REACH FY 1985 LEVELS." DOES THAT MEAN BUSINESS AS USUAL, OR JUST WHAT IN VIEW OF THE CONCERNS OF THE OTHER BODY THAT THE COMMISSION WAS PREVIOUSLY TOO INVOLVED IN EDUCATIONAL AND CULTURAL ACTIVITIES?

Mr. Sloan: If our normal funding were to be restored in fiscal year 1987, the Commission would certainly not engage in "business as usual." While "educational and cultural activities" are the essence of the Commission as spelled out in the basic legislation, the entire thrust of this year's testimony indicates how the Commission is modifying old programs and developing new ones which will increase its capacity to deal with the critical issues in contemporary U.S.-Japan relations (see pages 5-7). Examples of new programs in this vein are attached to the testimony.

ALLOCATION OF FUNDS

QUESTION:

AT THE BOTTOM OF THE FIRST PAGE OF THE JUSTIFICATION, THE COMMISSION LISTS RECENT SUBJECT OF RESEARCH PROJECTS. IT IS INDICATED THAT GRANTS WERE MADE TO STANFORD (TWICE), MICHIGAN AND GEORGE WASHINGTON UNIVERSITIES. I KNOW THAT THE COMMISSION HAS ALSO WORKED WITH THE UNIVERSITY OF SOUTH CAROLINA'S INTERNATIONAL BUSINESS PROGRAM, BUT WHAT OTHER UNIVERSITIES ARE YOU WORKING WITH, SINCE IN CITING STANFORD AND MICHIGAN, IT SOUNDS TO ME LIKE YOU ARE WORKING WITH JUST THE "OLD BOYS."

> Mr. Sloan: The universities cited were those receiving Commission funds for policy-oriented research. Such work can only be done by qualified scholars who are most often found at the traditional centers of Japanese Studies in the major universities. This does not mean that the Commission is only working with "old boy" institutions. To the contrary, as mentioned in Dr. Campbell's testimony (page 7), we are making a conscious effort to reach less well-known universities which are interested in developing Japanese Studies, exchange relationships with Japanese universities, or outreach programs on U.S.-Japan economic issues. In addition, as you may know, the Commission is funding several MBA programs in a range of institutions. For your information, we are enclosing a list of universities with whom the Commission is currently working.

COUNCIL ON RELIGION AND INTERNATIONAL AFFAIRS

QUESTION:

A GRANT HAS BEEN MADE TO THE COUNCIL ON RELIGION AND INTERNATIONAL AFFAIRS TO ASSIST IN A SYSTEMATIC SECTION-BY-SECTION INVESTIGATION OF THE UNDERLYING CAUSES OF OUR TRADE PROBLEMS WITH JAPAN. FOR THE RECORD, BRIEFLY DESCRIBE THE COUNCIL ON RELIGION AND INTERNATIONAL AFFAIRS, AND THE PARTICULAR EXPERTISE THE COUNCIL HAS TO PERFORM THIS ASSIGNMENT.

> Mr. Sloan: The Council is a non-profit organization concerned with world affairs, founded by Andrew Carnegie. The word "religion" in the name stems from Carnegie's concern with moral values in international relations. The Council concentrates on organizing research and seminars on international problems, particularly economic. Its small staff organizes and fund-raises; scholars and government experts are recruited for the specific projects. The Council has a reputation for being highly professional and objective. I am enclosing a copy of its annual report for your information.

AMERICAN STUDIES IN JAPANESE UNIVERSITIES

QUESTION:

ON PAGE 5 OF YOUR STATEMENT, YOU SPEAK OF YOUR PROGRAM "TO ENCOURAGE CURRICULUM DEVELOPMENT AND FACULTY TRAINING IN THE FIELD OF AMERICAN STUDIES IN LEADING JAPANESE UNIVERSITIES" AS HAVING SHOWN MARKED PROGRESS. DR. JEFFREY S. ARPAN OF THE UNIVERSITY OF SOUTH CAROLINA TESTIFIED BEFORE OUR HOUSE COUNTERPARTS ON BEHALF OF YOUR

REQUEST ON MARCH 3, 1986. HE MADE THE POINT THAT IF ALL OF THE TRADE BARRIERS WERE REMOVED, THE U.S. WOULD STILL HAVE A TRADE DEFICIT WITH JAPAN BECAUSE OF "THE STRIKING IMBALANCE BETWEEN JAPAN'S KNOWLEDGE OF THE UNITED STATES VERSUS OUR KNOWLEDGE OF JAPAN." ISN'T THAT WHAT OUR HOUSE COUNTERPARTS WERE SAYING LAST YEAR; I.E., INSTEAD OF HELPING JAPAN WE OUGHT TO BE CONCENTRATING ON HELPING THE UNITED STATES?

Mr. Sloan: The Japan-United States Friendship Act specifies that support shall be provided for studies in institutions of higher education or scholarly research in Japan, fellowships and scholarships in Japan, visiting professors and lecturers at colleges and universities in Japan, and for collections of American books and publications in appropriate libraries in Japan (Sec. 3(b)(1)(2)(4)(5)). Over time, this activity has fallen under the rubric "American Studies."

While the average Japanese is exposed to much greater coverage of American events and modern American culture than vice-versa, paradoxically the university system remains Euro-centered, traditional, fragmented by faculties, and heavily Marxist-influenced. Despite the close association with the United States in the post-war era, very few courses are offered on American economics and politics. It is this void that the Commission is attempting to fill. While such assistance could be termed "helping Japan," it is our belief that greater and more accurate Japanese understanding of the contemporary United States is mutually beneficial to the relationship, and is essential to resolving our disputes over trade, defense and other issues.

Encls.

U.S. Universities Which Received JUSFC Grants in FY 1985

Stanford University
Cornell University
University of Michigan
UCLA
North Carolina State University
Hampshire College
George Washington University
Duke University
University of Hawaii
Amherst College
New York University
Washington State University
University of South Florida
University of Washington
University of South Carolina
Columbia University

U.S. Universities Receiving JUSFC Grants in FY 1986

University of Montana
University of Pennsylvania
Dominican College
University of Santa Clara
City College of New York

Universities Currently Discussing Projects with the JUSFC

University of Kentucky
Texas Tech University
University of Kansas
Evergreen College

United States Senate
WASHINGTON, DC 20510

July 22, 1985

Dear Mr. Sloan:

Thank you for your recent correspondence detailing the background about your appropriation for Fiscal Year 1986. I appreciate receiving all the material you sent.

While I, too, share some frustration with our huge trade deficits with Japan, I agree with you that eliminating the appropriation for the Japan-United States Friendship Commission is not an appropriate response. In fact, I assume the Commission is doing all it can to break down educational and cultural barriers that contribute to that problem. It is a time for increased understanding between our two countries, not less. In addition, as you pointed out, denying the Commission an appropriation for next year will not reduce the deficit, since the Commission is funded by a separate trust fund.

I plan to recommend to my colleagues on the Subcommittee that we fully fund the Commission for Fiscal Year 1986. I have the support of Senators Hollings and Inouye and expect we will prevail in the Senate. Please continue to make your case to the House so that we can get them to recede to the Senate position when we go to Conference.

Again, thank you for writing.

Sincerely,

Paul Laxalt

PAUL LAXALT
Chairman
Commerce, Justice, State, and
the Judiciary Subcommittee

PL/ssm

Mr. Lindley S. Sloan
Executive Director
Japan-United States Friendship Commission
1875 Connecticut Avenue, N.W., Suite 910
Washington, D. C. 20009

Statement of Dr. Jeffrey S. Arpan

Senator Rudman. Due to schedule conflict, our ranking minority member, Senator Hollings, could not be present this morning. He has received a statement from Dr. Jeffrey S. Arpan of the University of South Carolina with regard to the Japan-U.S. Friendship Commission and has asked that it be included in the record at this point.

(The statement follows:)

UNIVERSITY OF SOUTH CAROLINA
COLUMBIA, S.C. 29208

Testimony Prepared by
Dr. Jeffrey S. Arpan
Professor and Program Director of International Business
College of Business Administration
University of South Carolina

My specific purpose today is to voice my support for full funding of the Japan-US Friendship Commission. However, my broader purpose is voice my support for any and all efforts designed to improve the American business community's ability to successfully compete at home and abroad in an increasingly interconnected world.

At the outset, let me first summarize my background and biases. My professional academic training is in the fields of international business and economics. For more than 15 years I have been teaching, doing research, and conducting seminars and conferences on a wide variety of international business topics, but my main concentrations have been in international management & strategy, the international competitiveness of American industry, and, geographically, Japan and other East Asian nations.

Philosophically, I believe in the global & national benefits of both free trade and the free movement of capital. Realistically, however, I recognize that these have never existed, nor are they likely to exist in the future. As a result I believe that "fair trade" is a more realistic goal toward which to strive. Further, I recognize and accept that fact that there are times when any nation, including the U.S., may need to depart from this goal for reasons of national security, defense, or temporary economic difficulties. At the same time, as a quasi-student of economic history, I am also convinced that protectionism is generally a self-defeating solution to problems caused by international trade. In other words, fair trade is generally positive sum game, while protectionism is generally a negative sum game.

Finally, I am currently the director of international business programs at the University of South Carolina, including its unique Master of International Business Studies (MIBS) program - the largest international business program at the graduate level in a U.S. business school accredited by the American Assembly of Collegiate Schools of Business (AACSB) and considered one of the top two graduate international business programs and faculties in the United States. In our MIBS program every year we send more than 100 American business students to live and work as interns in companies in foreign countries for at least 6 months after developing a proficiency in at least one foreign language, taking 18 courses in business and its international dimensions and learning about the culture, political systems and geography of a particular region of the world.

With this background information in mind, let me proceed to share my views on the growing US-Japan trade frictions and the value of the Japan-US Friendship Commission.

There are many reasons for the widening trade imbalance between the United States and Japan: the undervalued yen, Japanese trade barriers and other myriad forms of government intervention in the Japanese economy, comparatively greater consumer loyalty in Japan, and certain labor and capital cost advantages for Japanese firms, to name a few. These are real and must be dealt with both separately and collectively. However, in my personal and professional judgement, the United States would still have a trade deficit with Japan even if these conditions, many of which are in fact "unfair", did not exist. The main underlying reason for this assessment is the striking imbalance between Japan's knowledge of the United States versus our knowledge of Japan. This knowledge disparity includes knowledge of language, customs, culture, politics, history, and a plethora of business practices. Stated simply, the Japanese know a great deal more about us than we do about them, they are better able to communicate with us than we are with them, and they use these advantages effectively to penetrate our markets better than we can theirs. Far too many US made products remain unsuitable for Japanese markets (ie. insufficiently adapted) yet we still try to sell them there anyway. A paltry percentage of the US business community has any knowledge of Japanese language, culture, history or business practices, but we still send them there every month to try to do business, relying on the Japanese to understand us. These problems are by no means unique to the US-Japan situation; they apply to our international business relations with virtually all other countries. The only issue is one of the degree of knowledge disparity. Through our MIBS program's Japanese specialization we are striving to diminish this disparity. All students must complete a rigorous, intensive, and very physically and mentally demanding 36 month program including more than 1000 hours of formal classroom instruction in Japanese language, studying for two semesters at Japanese universities, and working in companies in Japan for seven months - all in addition to a heavily internationalized MBA curriculum. In total, they spend 18-21 months in Japan out of the 36 month long program. The students' direct cost of this program exceeds $26,000, plus a significant opportunity cost approximating $33,000 due to the additional year required for the Japanese specialization when they could have otherwise obtained employment. In addition, typically 20% of those who start the program do not finish, representing another type of opportunity cost.

To be honest, we are not inundated with applications for the MIBS program's Japanese specialization compared to our other language specializations. Of the more than 1000 applications we received last year, only 4% selected Japanese, and we only accepted 30% of those who applied. Of the nearly 40 students who have applied so far this year, virtually all have requested financial aid. Therefore, it is clear that financial considerations figure prominently in applicant's decisions, and without student financial support from USC, the business community and the Japan-US Friendship Commission,[1] fewer would apply and fewer would be able to complete the program. On the other hand, while our Japanese specialization is only 4 years old, our graduates have been swamped with offers, and 100% have been placed - a clear indication of the high market value attributable to their specialization.

While one might argue that there is little need for funding programs whose graduates all find employment, such an argument ignores several key factors. First, students must first bear the cost of the program before they obtain employment. Second, their future success in enhancing American industry's international competitiveness enhances employment opportunities and conditions for other Americans who might otherwise not find jobs, lose their existing jobs, or have to accept lower wages or salaries. Finally, to the extent that these students contribute to the enhancement of American competitiveness, corporate profits are improved and additional tax revenues are created.

There is no question in my mind that our applicant pool and program completion rate would be significantly greater if more financial aid was available for our students - and those at other institutions. There's also no doubt in my mind that there is a critical U.S. need for more programs such as ours. Furthermore, any and all programs which enhance Americans' ability to understand and deal effectively with the Japanese are needed. The activities sponsored by the Japan-US Friendship Commission, while lauditory, in and of themselves are woefully inadequate in number and scope to have major impact in this respect. Their programs, and in fact all current programs combined, are but a drop in the proverbial bucket. Our country must realize that to compete, work effectively, and to live peacefully with other nations, we must abandon our history of, and predilection to, isolationist principles, ethnocentric philosophies, and monolinguistic abilities. But realization is not sufficient. We must make a real commitment to overcoming our own shortcomings and deficiences, and back this commitment with the necessary funding to achieve what we need to accomplish. Therefore, rather than a partial appropriation of funds for the Commission's programs, 100% appropriation is essential and additional funds should be appropriated especially for business school programs designed to increase American international competitiveness. Cutting back or even simply maintaining existing appropriation levels essentially results only in shooting ourselves in the foot. And, to deal effectively with or against the Japanese, it is up to us to put ourselves on better footing, not worse footing.

With these thoughts expressed, I would also like to express my appreciation for this opportunity to appear before the committee and state that I am ready and willing to answer any questions members of the subcommittee choose to ask.

[1] From 1982-1986, the MIBS program received three $20,000 grants from the Japan-US Friendship Commission. These funds have been used to provide fellowships to 16 students in the Japanese specialization during their 18 month period in Japan. To qualify for the second $20,000 grant, USC had to raise an equivalent amount from other sources. To qualify for the third and final $20,000 grant, USC had to raise $40,000 from other sources. Both US and Japanese firms were willing and able to provide these amounts in order to allow USC to obtain the second and third grants from the Japan-US Friendship Commission. The companies included Japan's Kao Corporation, Hitachi, Sony, New Japan Securities, Toa Nenryo, and Suzuya; and America's Burroughs Corp. Bank of America, Citibank, and NCR. The University of South Carolina itself also provided numerous graduate assistantships to students in the MIBS Japanese specialization.

SUBCOMMITTEE RECESS

Senator Rudman. The hearing is concluded. We will reconvene at the call of the Chair.

[Whereupon, at 11:05 a.m., Thursday, March 6, the subcommittee was recessed, to reconvene at the call of the Chair.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

WEDNESDAY, MARCH 12, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 11 a.m., in S–146, the Capitol, Hon. Warren Rudman (chairman) presiding.

Present: Senators Rudman, Hollings, Bumpers, Specter, and Chiles.

DEPARTMENT OF COMMERCE

STATEMENT OF MALCOLM BALDRIGE, SECRETARY OF COMMERCE

ACCOMPANIED BY:
- CLARENCE J. BROWN, DEPUTY SECRETARY
- KATHERINE M. BULOW, ASSISTANT SECRETARY FOR ADMINISTRATION
- PAUL A. VANDER MYDE, ASSISTANT SECRETARY FOR CONGRESSIONAL AND INTER-GOVERNMENTAL AFFAIRS
- MARK E. BROWN, DIRECTOR, OFFICE OF BUDGET

OPENING STATEMENT OF SENATOR RUDMAN

Senator RUDMAN. The subcommittee will come to order.

Our first witness this morning is Malcolm Baldrige, Secretary of Commerce.

The subcommittee's estimate of the budget request of the Department of Commerce for fiscal year 1987 totals $1.74 billion, a decrease of $318.7 million from the Gramm-Rudman-Hollings sequestration level of this year. We continue to see some old friends in this budget, Mr. Secretary, including the elimination of the Economic Development Administration, trade adjustment assistance, cuts in various NOAA programs, such as sea grant, coastal zone management, and fisheries research and development, and several others.

The subcommittee is going to have to work very hard to meet the targets we feel will come from the Budget Committee and we want to work with you and pay close attention to your priorities. I hope you will summarize your statement so we have time for questions, and to the extent that you would like to summarize, you may. Your entire statement will be in the record.

I would say that I was looking at the Washington Post this morning on the Fed page and saw an alleged copy of a note from you to the Director of OMB and I am not sure we can do the 747. We might be able to buy a Piper J–3 for you with the budget this year, but you go right ahead.

Secretary BALDRIGE. I do not know how that attempted satire leaked out, Mr. Chairman. It happens in the best of families, that sort of thing.

Senator RUDMAN. By the way, I should ask my friend from Arkansas if he has an opening statement.

PREPARED STATEMENT

Senator BUMPERS. As a matter of fact, I do and I will submit it for the record.

[The prepared statement of Senator Bumpers follows:]

PREPARED STATEMENT OF HON. DALE BUMPERS

U.S. SENATOR FROM ARKANSAS

Mr. Chairman, I have several grave concerns about the budget request submitted by the Department of Commerce. I am hopeful that some of these concerns can be addressed by the Department in response to the questions I have submitted, although I fear that most will have to be worked out by this Committee.

While I recognize the necessity for cutting some programs, they ought to be cut on a consideration of cost-benefit ratios and should be done with a clear understanding of the short and long term effects on the economic security of our nation. Our present balance of payments is the worst trade picture we have ever faced as a nation. If we do not take this into consideration as we review the programs that foster economic development and diversification at home, we risk a collapse of the world trading system that relies on the health and vitality of the U.S. economy.

Our short-sightedness in the stimulation of domestic economic development today means a declining potential for economic growth and jobs in the future. Will declining economic growth be any better than a burgeoning national debt? I want to see the deficit reduced as much as anyone, but if we enact a wholesale elimination of programs such as the Economic Development Administration (EDA), we will be facing crises in rural America that will prove even more costly. In any event, we would be shifting the problem to the next generation rather than meeting the matter head on.

There is not a government program since the inception of the EDA that has higher benefit-cost ratios that is administered with less administrative costs, and that provides jobs at a lower cost. If that is not a sufficient criterion, there is not a program in this entire country that deserves to survive.

I want to bring one example to the Committee's attention, and then I will move on to other subjects. In 1968, Forrest City, Arkansas, received a $325,000 EDA grant for water, sewer, and roads in conjunction with the construction of an industrial park. Two subsequent EDA grants in 1972 and 1981 have supplemented these efforts. The Forrest City Industrial Park is now a thriving example of economic growth spurred by government assistance. Several industries have located there, hiring approximately 2,700 employees, every one of whom brings income to the community, pays taxes, and improves the quality of life and health in Forrest City.

Another concern I have along these same lines is the proposed termination of the Office of Productivity, Technology, and Innovation. Why, in these perilous times of a record-high trade imbalance, are we seeking to undercut the ability of U.S. businesses to share the information derived from government research? This I do not understand. If we are not going to use our comparative advantage in technology, how do we expect to regain our leadership role on the cutting edge of economic growth: technology? We cannot harbor such expectations without an effective way to provide technology transfer between government and the private sector.

I hope that the Department's response to my questions on OPTI will alleviate my concern that the services this office provides will not be lost in the haste to cut government spending. The Arkansas Office of Science and Technology, only three years old, is just now getting to the point where federal assistance in coordinating the commercial applicability of government research is useful. OPTI's services, which provide the interface for R&D and economic development, should be retained.

A further concern I have is the proposed termination of the Public Telecommunications Facilities Program. Public broadcasting has tremendous track record of fine non-commercial service and broad popular support. If this program -- which provides grants for modernization of public broadcast facilities -- is eliminated, the ability of public broadcasting to keep pace is lost. It is a step toward the elimination of public broadcasting altogether, and this is clearly not desirable.

Finally, Mr. Chairman, I would like to take a moment to comment about the elimination of trade adjustment assistance to firms adversely affected by the improper trading practices of other nations. We live in a dynamic world with a dynamic international economy. No firm can be cost-efficient without adapting to the changing terms of trade that we inevitably face. Firms that cannot compete because they are not efficient should not survive. But firms whose health is ruined by adverse trading conditions deserve to have their adjustment to more favorable enterprises supported by the government. I would urge that this program also be retained.

Senator RUDMAN. All right. Thank you.

Secretary BALDRIGE. I think, Mr. Chairman, because I have a short and a long statement here both, but even the short one is detailed, I think if you would like we could just go to the questions.

Senator RUDMAN. Well, if you want to just highlight some of the priorities, that's fine. We run a fairly informal subcommittee. We get more done that way. So however you wish. We will all see your statement. If you want to just ad-lib some part of it, go right ahead. What are your highest priorities, what are your lowest priorities—and then I am sure you will hear from us.

ANTITRUST LEGISLATION

Secretary BALDRIGE. Mr. Chairman, I think bringing Federal spending under control is going to remove the last obstacle to a long-term future of growth and prosperity for the country. Our budget overall is part of the President's plan to meet that $144 billion deficit target under Gramm-Rudman-Hollings.

I think the economy, without going through all the figures, is demonstrably getting better. I would like to discuss the antitrust legislation which I think is a very important part of the whole fabric of competitiveness. In and by itself it is not going to turn the whole trade deficit around, but it is one of the things that we should get after when we are focusing on competitiveness.

I am particularly concerned with the antitrust laws that govern mergers. We are seeing some good results from the guidelines, the most recent guidelines, and some people think that would handle the problem. The problem with the guidelines is that they are prosecutorial guidelines for the Justice Department. The courts are not bound by them, and two or three Federal judges have come out and said that. They have to interpret the laws that are on the books, not the Justice Department guidelines. The plaintiffs are not bound by them, and the next administration could also change those guidelines.

Business just does not have the certainty that it needs under those conditions. And the mergers that I see that are competitive, or would be competitive, that do not even in effect get out of the chute, are the ones that bother me. There are many of those, Mr. Chairman. There is no reason in the world why we should not amend Clayton-7 so we can put in simple language that you do not need a $500,000 a year Wall Street lawyer to say "on the one hand and on the other" to get through. I just would mention the major change in that would be instead of if a proposed merger may tend to, in quotation marks, create a monopoly situation, if a proposed merger would have a significant probability of, and then define what a monopoly is—market power, the ability to raise prices above the marketplace level for a significant period of time.

Now, if a merger would do that, we have to spell it out. But if it will not do that, all this theoretical argument about is big good, or is big bad, or do we need a lot of small firms in one marketplace, or so many big firms. It is decided by the market as it should be.

I have examples. I will not go into them with you now but if anybody is interested later—about specific companies that have allowed me to use their names as case examples of where they do not even try because the uncertainty is too great. Nobody to interpret the Clayton 7.

BUDGET REQUEST

Our 1987 budget is $400 million less than the 1986 appropriation. It fits the administration's and the Department's goal. We have eliminated and reduced programs that are marginally beneficial, at the same time high-priority programs needed to meet our core missions are adequately financed.

You said you saw some old friends, Mr. Chairman.

Senator RUDMAN. And some new ones.

Secretary BALDRIGE. You know, EDA, TAA, coastal zone management, sea grant, and public telecommunications facilities grants, we bring those back every year because they truly are the items that we think should be cut the most this year. With Gramm-Rudman-Hollings we think it is even more important, and so we have proposed some of the same ones again that we have had turned down before.

Commerce agencies can carry out the 1986 reductions which went into effect this month without closing facilities or terminating programs or furloughing employees if several reprogramming proposals we are sending to you are approved. We cannot make the same statement, of course, if another sequester order is necessary next October.

So your support is needed to adopt our proposed reductions so that we will not have to continue making reductions in effective programs along with the ineffective, throwing out the baby with the bath water.

I think the Census Program increase is quite obvious. We are coming up to the 1990 Census and we always do have a rising budget in that case. And I think the International Trade Administration area where two significant increases are proposed we feel strongly about.

We have got some expanded requirements in our Export Administration Act that you Senators are all aware of. We need to reduce our processing time. We have been able to do that a good deal, but we still have a ways to go. And we need some more funds for import administration because the new antidumping and countervailing duty cases have increased from 40 to 144 between 1980 and 1985. And the issues are getting much more complex as that program goes on.

COLD NEUTRON RESEARCH FACILITY

We also feel it is an excellent use of funds at NBS to build a cold neutron research facility. Cold neutrons are very useful in the study of polymers, ceramics, rapidly solidified metals, and other new materials that are becoming a lot more important to the economy than they were 5 and 10 years ago.

We are seeing Japan spend $50 million on a similar facility. We shouldn't delay this any longer.

MODERNIZATION OF NATIONAL WEATHER SERVICE

Under NOAA, significant funding is provided to move ahead with modernization of the National Weather Service. We are requesting a total of $47 million to be transferred from the FAA Airport and Airway Trust Fund to begin procurement of the next generation weather radar [NEXRAD]. These new radars will increase warning time for tornadoes to as much as 20 minutes from the current 2 minutes. We are moving ahead with the procurement of five geostationary satellites which you approved last year.

For the Office of the Secretary, we are requesting $1.5 million to develop a commerce financial management system. I think that is a top priority. It will save us money and enable us to run the Department better. We need the information much more quickly than we get it now.

SMALL BUSINESS

The administration is proposing to terminate SBA and to transfer some of its programs to Commerce in 1987. The new Commerce agency will be headed by an Under Secretary for Small Business. We will continue the Small Business Advocacy and Research Program, procurement and technical programs, the Small Business Innovation and Research Program, National Advisory Council, and the Service Corps of Retired Executives. The 8(A) Program will be strengthened by merging it into the Department's Minority Business Development Agency.

I did not go out and seek to have this done, Mr. Chairman, but once this decision was made I do think it is right in this sense. A lot of our time already is spent on small business. I would say we spend more time on small business than we do on larger business. There is a very good reason for that. Of all these new jobs in the last 15 years, some 90 percent plus, or 20 million jobs, has been done through both Democratic and Republican administrations, and are small business jobs. I mean, 90 percent of them are from companies of 100 people or less. Actually two-thirds of them are from companies of 50 people or less. So small business is of extreme importance to us and it deserves a Cabinet officer to be in charge of the program. That is an integral part of a Cabinet officer's mission. We think that voice will be heard more strongly.

So I think our 1987 budget carries out the Government's and departmental missions which are essential, and provides the funds where they are needed. It is part of a careful plan to avoid arbitrary cuts in effective programs in a second round under Gramm-Rudman-Hollings. And we must work together to take some of the tough actions to terminate unnecessary programs and programs we cannot afford any longer, because I do not know of any other way to successfully reduce the Federal deficit to meet the President's goals.

So that is my statement, Mr. Chairman.

PREPARED STATEMENT

Senator RUDMAN. Thank you. We appreciate it. Your full statement will be in the record.

[The prepared statement of Secretary Baldrige follows:]

PREPARED STATEMENT OF HON. MALCOLM BALDRIGE
SECRETARY OF COMMERCE

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, THE ECONOMY CONTINUES TO ENJOY VIGOROUS EXPANSION. BRINGING FEDERAL SPENDING UNDER CONTROL WILL REMOVE THE LAST OBSTACLE TO A LONG TERM FUTURE OF GROWTH AND PROSPERITY -- THE FEDERAL BUDGET DEFICIT. THE COMMERCE BUDGET OF $1.7 BILLION IS PART OF THE PRESIDENT'S PLAN TO MEET THE $144 BILLION DEFICIT TARGET UNDER THE GRAMM-RUDMAN-HOLLINGS ACT AND AVOID A SECOND ROUND OF AUTOMATIC CUTS NEXT FALL.

ECONOMIC IMPROVEMENTS

FOR EACH OF THE PAST FEW YEARS I HAVE BEEN PLEASED TO HIGHLIGHT FOR YOU THE IMPROVEMENTS IN THE ECONOMY. THE STATISTICS ARE GETTING BETTER:

- DURING THE PAST THREE YEARS, INDUSTRIAL PRODUCTION HAS RISEN BY 25 PERCENT.
- DURING THE SAME PERIOD, CORPORATE PROFITS INCREASED 117 PERCENT AND THE STOCK MARKET HAS NEARLY DOUBLED IN VALUE.
- EMPLOYMENT HAS GROWN BY 9.5 MILLION IN THREE YEARS, WHILE THE UNEMPLOYMENT RATE HAS FALLEN BY 3.1 PERCENTAGE POINTS.
- REAL GNP GREW AT A 4.5 PERCENT ANNUAL RATE DURING THE PAST THREE YEARS, COMPARED WITH ONLY A 2.2 PERCENT ANNUAL RATE DURING THE LAST THREE YEARS OF THE PREVIOUS ADMINISTRATION.
- THE PRIME RATE, AND OTHER KEY INTEREST RATES, ARE LESS THAN HALF THEIR 1981 LEVELS.

WE CAN ASSURE CONTINUED ECONOMIC GROWTH BY ADOPTING THE PRESIDENT'S GOALS SET IN THE 1987 BUDGET AND LEGISLATIVE PROGRAM. THE PRESIDENT'S PROGRAM:

1) MEETS THE GRAMM-RUDMAN-HOLLINGS DEFICIT TARGET OF $144 BILLION BY ELIMINATING INEFFECTIVE PROGRAMS;

2) REQUIRES NO NEW TAXES;.

3) PRESERVES SOCIAL SECURITY AND ESSENTIAL DOMESTIC SPENDING; AND

4) PROVIDES 3 PERCENT REAL GROWTH FOR NATIONAL SECURITY AS AGREED BY THE PRESIDENT AND CONGRESS LAST YEAR.

BEFORE TURNING TO THE SPECIFICS OF THE COMMERCE BUDGET, I WANT TO COVER TWO AREAS IN WHICH LEGISLATION IS NEEDED TO ENSURE CONTINUED ECONOMIC GROWTH IN ADDITION TO ELIMINATING THE DEFICIT.

ANTITRUST REFORM

MR. CHAIRMAN, MORE THAN A YEAR AGO I FOCUSED ON THE OUTDATED NATURE OF OUR ANTITRUST LAW. I WAS PARTICULARLY CONCERNED WITH THE ANTITRUST LAWS THAT GOVERN MERGERS. THESE LAWS NEED TO BE REVISED TO REFLECT AN INCREASINGLY GLOBAL MARKET. I AM PLEASED THAT THE ECONOMIC AND DOMESTIC POLICY COUNCILS HAVE COMPLETED AN EXTENSIVE REVIEW, AND THE PRESIDENT HAS APPROVED THEIR RECOMMENDATIONS. THE ADMINISTRATION HAS SENT TO THE CONGRESS AN ANTITRUST REFORM PACKAGE -- FIVE BILLS TO MAKE THE ANTITRUST LAWS COMPATIBLE WITH TODAY'S WORLD IN WHICH AMERICA'S BUSINESSES MUST COMPETE AND SURVIVE. THEY HAVE NOW BEEN INTRODUCED IN BOTH THE HOUSE AND SENATE.

THESE BILLS HOLD OUT REAL PROMISE FOR STRENGTHENING AMERICAN FIRMS. AT THE SAME TIME, THE BILLS MAINTAIN AND STRENGTHEN THE ANTITRUST LAWS' PROTECTION OF COMPETITION AND OF THE CONSUMER. WE, OF COURSE, HAVE NEVER CLAIMED THAT ANTITRUST REFORM WOULD SOLVE ALL OUR TRADE PROBLEMS. BUT THEY WILL CREATE NEW OPPORTUNITIES FOR DISTRESSED INDUSTRIES, AND ENCOURAGE PRO-COMPETITIVE ACTIVITY THROUGHOUT OUR ECONOMY. THEY ARE PART OF THE WHOLE MOSAIC OF COMPETITIVENESS THAT WE SHOULD NOT OVERLOOK.

PRODUCT LIABILITY

UNCERTAINTY AND INSTABILITY IN OUR PRODUCT LIABILITY SYSTEM IS AN AREA OF MAJOR CONCERN TO BUSINESS AND CONSUMERS ALIKE. THIS UNCERTAINTY IS HAVING A NEGATIVE EFFECT ON U.S. PRODUCTIVITY AND COMPETITIVENESS IN THAT SOME BUSINESSES WILL REFUSE TO PRODUCE SOCIALLY BENEFICIAL PRODUCTS. OTHERS, MAINLY SMALL BUSINESSES, ARE CLOSING BECAUSE OF THE HIGH PRICE THEY HAVE TO PAY TO INSURE THEMSELVES AGAINST PRODUCT LIABILITY.

REFORM OF THE PRODUCT LIABILITY SYSTEM IS NEEDED AND THIS ADMINISTRATION PLACES A HIGH PRIORITY ON SUCH REFORM. IN HIS FOLLOW-ON MESSAGE TO THE STATE OF THE UNION ADDRESS, THE PRESIDENT SAID THAT THE ADMINISTRATION WILL CONTINUE TO WORK TOWARD "A UNIFORM STANDARD OF PRODUCT LIABILITY THAT IS FAIR TO CONSUMERS AND MANUFACTURERS ALIKE." WE INTEND TO WORK WITH THE CONGRESS AND ALL INTERESTED PARTIES TOWARD BRINGING ABOUT MEANINGFUL REFORM.

1987 COMMERCE BUDGET

OUR 1987 BUDGET IS $400 MILLION LESS THAN THE 1986 APPROPRIATION. IT IS A POSITIVE BUDGET FITTING THE ADMINISTRATION'S AND DEPARTMENT'S GOALS. WE HAVE ELIMINATED OR REDUCED PROGRAMS THAT ARE BEYOND OUR CORE MISSIONS OR ARE MARGINALLY BENEFICIAL. AT THE

SAME TIME, HIGH PRIORITY PROGRAMS NEEDED TO MEET OUR CORE MISSIONS ARE ADEQUATELY FUNDED.

RESCISSIONS

THE FIRST ACTION THAT WE MUST TAKE IS TO END DIRECT SUBSIDIES IN THE COMMERCE BUDGET. WE CAN SAVE $197 MILLION IN 1986 AND $294 MILLION IN 1987 BY RESCINDING FUNDS FOR ECONOMIC DEVELOPMENT ASSISTANCE, TRADE ADJUSTMENT ASSISTANCE, COASTAL ZONE MANAGEMENT, SEA GRANT AND PUBLIC TELECOMMUNICATIONS FACILITIES GRANTS.

OVER THE LAST SIX YEARS, I HAVE ASKED YOU TO TERMINATE EDA AND YOU HAVE AGREED TO APPROPRIATIONS REDUCTIONS OVER THIS PERIOD OF 70 PERCENT. THE PROGRAM SERVES NO NATIONAL PURPOSE AND IT IS TIME NOW TO ELIMINATE THE REMAINING $175 MILLION. THE NUMBER OF JOBS CREATED SPENDING THESE FUNDS WILL BE INSIGNIFICANT AND EACH WILL COST UP TO $20,000 A MONTH TO CREATE AND SUSTAIN. THE PROJECTS NOW BEING UNDERTAKEN SERVE ONLY NARROW LOCAL INTERESTS. APPROPRIATE FEDERAL ASSISTANCE FOR LOCAL ECONOMIC DEVELOPMENT WILL REMAIN AVAILABLE THROUGH HUD'S COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM.

I AM ALSO CONCERNED ABOUT THE $65 MILLION TOTAL IN SPECIAL PROJECTS THAT HAVE BEEN ADDED TO THE EDA BUDGET WITH INCREASING FREQUENCY DURING THE PAST THREE YEARS. THESE PROJECTS ARE SUBSTANTIALLY LARGER THAN REGULAR PROJECTS AND BYPASS EDA REVIEW PROCEDURES. THEY ARE NOT THE TYPE OF PROJECTS CONTEMPLATED BY THE CONGRESS WHEN IT ESTABLISHED EDA. THIS PRACTICE SHOULD BE STOPPED AS WELL AS ELIMINATING THE REGULAR EDA PROGRAM.

LIKEWISE TRADE ADJUSTMENT ASSISTANCE (TAA) HAS BEEN REDUCED BY 80 PERCENT SINCE 1981. WE HAVE SPENT $112 MILLION ON THE TAA PROGRAM SINCE IT WAS TRANSFERRED TO ITA IN 1982. MANAGEMENT OF

TAA HAS BEEN IMPROVED, BUT NOT PROGRAM PERFORMANCE. LAST YEAR THE INSPECTOR GENERAL FOUND THAT ONLY 5 PERCENT OF THE FIRMS ENTERING THE PROGRAM SURVIVE. TAA RAISES FALSE EXPECTATIONS THAT GOVERNMENT INTERVENTION CAN RECTIFY COMPETITIVE DISADVANTAGES. THE AUTHORIZING LEGISLATION FOR THIS PROGRAM EXPIRED DECEMBER 19, 1985. TRADE ADJUSTMENT ASSISTANCE CENTERS ARE IN THE PROCESS OF CLOSING DOWN. WE CAN COMPLETE THE JOB BY RESCINDING THE REMAINING 1985 AND 1986 BALANCES OF $19.3 MILLION AND TERMINATING THE PROGRAM IN 1987.

IN 1987 WE PROPOSE TO TERMINATE OR REDUCE SEVERAL ACTIVITIES IN COMMERCE THAT ARE BETTER LEFT TO THE PRIVATE SECTOR OR OTHER LEVELS OF GOVERNMENT. SIGNIFICANT REDUCTIONS INCLUDED HERE ARE TOURISM PROMOTION, PRODUCTIVITY, TECHNOLOGY AND INNOVATION ACTIVITIES, FIRE AND BUILDING RESEARCH, LANDSAT COMMERCIALIZATION SUBSIDIES AND FISHERIES GRANT PROGRAMS.

I SUPPORTED THE ENACTMENT OF THE GRAMM-RUDMAN-HOLLINGS ACT. COMMERCE AGENCIES WILL CARRY OUT THE 1986 REDUCTIONS WHICH WENT INTO EFFECT THIS MONTH WITHOUT CLOSING FACILITIES, TERMINATING PROGRAMS OR FURLOUGHING EMPLOYEES IF SEVERAL REPROGRAMMING PROPOSALS WE WILL BE SENDING YOU ARE APPROVED. WE CANNOT MAKE THE SAME STATEMENT IF ANOTHER SEQUESTER ORDER IS NECESSARY NEXT OCTOBER. YOUR SUPPORT IS NEEDED TO ADOPT OUR PROPOSED REDUCTIONS SO THAT WE WILL NOT HAVE TO CONTINUE MAKING REDUCTIONS IN EFFECTIVE PROGRAMS ALONG WITH THE INEFFECTIVE -- WHICH WOULD BE THE CLASSIC EXAMPLE OF THROWING OUT THE BABY WITH THE BATH WATER.

1987 INCREASES

WHILE WE ARE PROPOSING A NET 19 PERCENT REDUCTION FROM THE THE 1986 APPROPRIATION, THE 1987 BUDGET PROVIDES INCREASES TO MEET REQUIREMENTS FOR PRIORITY PROGRAMS FOR THE NATION. THE CENSUS

REQUEST INCLUDES $71 MILLION TO CONTINUE PREPARATION AND TESTING FOR THE 1990 CENSUS AND THE 1987 ECONOMIC AND AGRICULTURE CENSUSES. PROGRAM INCREASES TOTALLING $127 MILLION ARE PROPOSED THROUGHOUT THE COMMERCE BUDGET TO MEET PRESSING CONCERNS IN TRADE ADMINISTRATION, RESEARCH TO ASSIST AMERICAN INDUSTRY, PATENT OFFICE AUTOMATION, AND WEATHER TECHNOLOGY AND RESEARCH. ADDITIONALLY, THE SMALL BUSINESS ADMINISTRATION (SBA) WILL BE TRANSFERRED TO COMMERCE FOLLOWING ENACTMENT OF ENABLING LEGISLATION. A BUDGET AMENDMENT WILL BE PROPOSED TO TRANSFER SBA TO COMMERCE AFTER THE LEGISLATION IS SIGNED. THE REMAINDER OF MY TESTIMONY HIGHLIGHTS THESE CHANGES.

PREPARATION FOR THE 1990 CENSUS IS WELL UNDERWAY. IN 1985, WE CONDUCTED PRE-TESTS IN NEW JERSEY AND FLORIDA, AND WILL FOLLOW UP WITH TESTS IN LOS ANGELES AND MISSISSIPPI IN 1986. A TOTAL OF $78.9 MILLION IS NEEDED TO CONDUCT FURTHER TESTING IN 1987. OUR GOAL IS TO CONDUCT THE 1990 CENSUS AT THE SAME PER HOUSING UNIT COST AS IN 1980. OUR CURRENT ESTIMATE FOR THE TOTAL COST OF THE DECENNIAL IS $1.8 BILLION.

WITHIN THE INTERNATIONAL TRADE ADMINISTRATION (ITA), TWO SIGNIFICANT INCREASES ARE PROPOSED. A TOTAL OF $2.2 MILLION WILL BE USED TO CARRY OUT EXPANDED REQUIREMENTS OF THE EXPORT ADMINISTRATION AMENDMENTS ACT OF 1985. THESE FUNDS WILL ALLOW US TO REDUCE COMMODITY CLASSIFICATIONS PROCESSING TIME FROM 270 DAYS TO 10 DAYS, AND EXPORT LICENSE PROCESSING TIME FOR COCOM COUNTRIES FROM 30 DAYS TO 15 DAYS. ALMOST HALF OF THE INCREASE WILL SUPPORT OBTAINING TECHNICAL ASSISTANCE FROM OTHER FEDERAL AGENCIES TO ESTABLISH BETTER EXPORT CONTROLS IN SUCH AREAS AS COMPUTER SYSTEMS, AUTOMATED MANUFACTURING, BIOTECHNOLOGY AND SEMICONDUCTORS.

INCREASED FUNDING OF $2.4 MILLION FOR IMPORT ADMINISTRATION IS

NEEDED TO MEET THE GROWING WORKLOAD. NEW ANTIDUMPING/ COUNTERVAILING DUTY (AD/CVD) CASES HAVE INCREASED FROM 40 IN 1980 TO 144 IN 1985, AND INVOLVE INCREASINGLY COMPLEX ISSUES. IN TURN, THERE IS A CORRESPONDING INCREASE IN THE NUMBER OF ORDERS REQUIRING ANNUAL REVIEW. IN 1980, 110 WERE IN EFFECT, TODAY 212 ARE IN EFFECT - A 93 PERCENT INCREASE. THIS SAME PROGRAM ADMINISTERS 16 VOLUNTARY RESTRAINT STEEL AGREEMENTS UNDER THE 1984 PRESIDENT'S STEEL PROGRAM, DOUBLE THE AMOUNT IN PLACE AT THIS TIME LAST YEAR.

ITA'S PROGRAMS ARE ONE SET OF TOOLS WHICH DIRECTLY AFFECT THIS ADMINISTRATION'S ATTACK ON THE TRADE DEFICIT. AT THE NATIONAL BUREAU OF STANDARDS (NBS), NEW PROGRAMS ARE PROPOSED TO ASSIST AMERICAN INDUSTRY IN MEETING THE COMPETITIVE CHALLENGE. NBS'S ROLE IS TO PROVIDE SOPHISTICATED NEW MEASUREMENT SERVICES TO MAINTAIN QUALITY CONTROL AND PROCESS EFFICIENCY.

WE ARE REQUESTING $10 MILLION TO BEGIN CONSTRUCTION OF A COLD NEUTRON RESEARCH FACILITY. THE NBS REACTOR IS THE ONLY ONE IN THE U.S. CAPABLE OF ACCOMMODATING LARGE VOLUME COLD NEUTRON RESEARCH. COLD NEUTRONS ARE USEFUL IN THE STUDY OF POLYMERS, CERAMICS, RAPIDLY SOLIDIFIED METALS AND OTHER NEW MATERIALS -- AREAS WHICH ARE BECOMING INCREASINGLY IMPORTANT TO THE ECONOMY. JAPAN IS SPENDING $50 MILLION TO BUILD A SIMILAR FACILITY. WE CANNOT AFFORD ANY FURTHER DELAY IN THIS PROGRAM.

TWO OTHER INCREASES WE REQUEST FOR NBS IN 1987 ARE $1 MILLION FOR FIBER-OPTICS AND $800 THOUSAND FOR THE BALANCE OF THE ADVANCED CERAMICS PROGRAM THAT WAS PARTIALLY FUNDED IN 1986. RESEARCH ON CHARACTERISTICS OF FIBER-OPTIC COMPONENT BEHAVIOR -- INCLUDING SIGNAL LOSS, SCATTERING AND COMPONENT BEHAVIOR -- IS CRITICAL IN ORDER TO EXPAND THE U.S. SHARE OF THIS RAPIDLY GROWING $1 BILLION WORLD MARKET. THE INCREASE IN ADVANCED CERAMICS WILL RAISE THE

PROGRAM TO THE $3.0 MILLION LEVEL TO PERMIT RESEARCH ON APPLICATIONS IN ELECTRONICS AND ENGINE PARTS INDUSTRIES.

THE PATENT AND TRADEMARK OFFICE (PTO) PROGRAM LEVEL WILL INCREASE BY $15.3 MILLION TO A TOTAL OF $243.4 MILLION. WHILE MOST OF THE INCREASE WILL BE USED TO SUPPORT PTO AUTOMATION, WE CONTINUE TO WORK TOWARD THE GOAL OF REDUCING THE TIME IT TAKES TO PROCESS A PATENT APPLICATION TO 18 MONTHS BY 1987. THIS GOAL IS CRITICAL IN ORDER TO KEEP PACE WITH CHANGING TECHNOLOGIES. WE HAVE MADE CONSIDERABLE PROGRESS. TODAY PATENT APPLICATION PENDENCY IS 21 MONTHS. IT WOULD HAVE BEEN 36 MONTHS BY NOW IF WE HAD NOT BEGUN OUR PENDENCY REDUCTION PROGRAM IN 1981.

WITHIN THE REQUEST FOR THE NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA), SIGNIFICANT FUNDING IS PROVIDED TO MOVE AHEAD WITH MODERNIZATION OF THE NATIONAL WEATHER SERVICE. A TOTAL OF $47 MILLION IS REQUESTED TO BE TRANSFERRED FROM THE FAA AIRPORT AND AIRWAY TRUST FUND TO BEGIN PROCUREMENT OF THE NEXT GENERATION WEATHER RADAR (NEXRAD). BY 1995, 113 RADARS WILL BE INSTALLED NATIONWIDE. THE NEW RADARS WILL INCREASE WARNING TIMES FOR TORNADOES TO AS MUCH AS 20 MINUTES FROM THE CURRENT 2 MINUTES. WE ARE MOVING AHEAD WITH THE PROCUREMENT OF FIVE GEOSTATIONARY (GOES) SATELLITES WHICH YOU APPROVED LAST YEAR. THE FIVE SATELLITE BUY WILL ASSURE STABLE GOES COVERAGE THROUGH THE 1990'S, AND HAS ALLOWED US TO REDUCE GOES COST PROJECTIONS BY $100 MILLION FROM LAST YEAR'S ESTIMATES. AN INCREASE OF $3.6 MILLION ALSO IS PROVIDED TO ESTABLISH WITHIN NOAA A MISSION CONTROL CENTER FOR U.S. SEARCH AND RESCUE OPERATIONS.

ONE FINAL PROGRAM INCREASE DESERVES YOUR ATTENTION. IN THE OFFICE OF THE SECRETARY, $1.5 MILLION IS REQUESTED TO DEVELOP A COMMERCE FINANCIAL MANAGEMENT SYSTEM. IN 1987, THE FUNDS WILL DEVELOP A MODEL ACCOUNTING SYSTEM AND PROVIDE EQUIPMENT AND

COMMUNICATIONS FOR A DEMONSTRATION AT ONE REGIONAL ADMINISTRATIVE SUPPORT CENTER. IMPROVED FINANCIAL MANAGEMENT IS A TOP PRIORITY FOR THIS ADMINISTRATION AND WHILE ALWAYS IMPORTANT, IS EVEN MORE CRITICAL IN AN ERA OF TIGHTER BUDGETS. TO DO THIS, WE NEED A SYSTEM WHICH WILL PROVIDE US FINANCIAL AND OTHER MANAGEMENT INFORMATION QUICKLY AND IN A FORM THAT MANAGERS CAN USE. OUR EIGHT EXISTING ACCOUNTING SYSTEMS DO NOT HAVE THAT CAPABILITY.

SMALL BUSINESS ADMINISTRATION TRANSFER

THE ADMINISTRATION IS PROPOSING TO TERMINATE SBA AND TO TRANSFER SOME OF ITS PROGRAMS TO COMMERCE IN 1987. THE NEW COMMERCE AGENCY WILL BE HEADED BY AN UNDER SECRETARY FOR SMALL BUSINESS. WE WILL CONTINUE THE SMALL BUSINESS ADVOCACY AND RESEARCH PROGRAM, PROCUREMENT AND TECHNICAL ASSISTANCE PROGRAMS, SMALL BUSINESS INNOVATION AND RESEARCH PROGRAM, NATIONAL ADVISORY COUNCIL, AND THE SERVICE CORPS OF RETIRED EXECUTIVES (SCORE). SBA'S MINORITY SMALL BUSINESS 8(A) PROGRAM WILL BE STRENGTHENED BY MERGING IT INTO THE DEPARTMENT'S MINORITY BUSINESS DEVELOPMENT AGENCY.

COMMERCE SERVES ALL BUSINESSES, LARGE AND SMALL. SBA'S PROGRAMS WILL BENEFIT FROM OUR EFFORTS IN TRADE, DATA SERVICES AND RESEARCH TO ASSIST AMERICAN INDUSTRY. IT WILL BE MORE VISIBLE IN THE ADMINISTRATION IN THE AGENCY IN CHARGE OF COMMERCIAL POLICY, AND ITS VOICE STRONGER IN THE CABINET.

OUR 1987 BUDGET CARRIES OUT THE GOVERNMENT AND DEPARTMENTAL MISSIONS WHICH ARE ESSENTIAL. IT PROVIDES THE FUNDS WHERE THEY ARE NEEDED. IT IS PART OF A CAREFUL PLAN TO AVOID ARBITRARY CUTS IN EFFECTIVE PROGRAMS IN A SECOND ROUND UNDER GRAMM-RUDMAN-HOLLINGS. WE MUST WORK TOGETHER TO TAKE THE TOUGH ACTIONS TO ELIMINATE UNNECESSARY PROGRAMS AND ONES WE CAN NO LONGER AFFORD.

THIS IS THE ONLY WAY WE CAN SUCCESSFULLY REDUCE THE FEDERAL DEFICIT AND MEET THE PRESIDENT'S GOALS. FAILURE TO DO SO WILL HAVE FAR REACHING CONSEQUENCES FOR THE ECONOMY AND SUBJECT CRUCIAL FEDERAL PROGRAMS TO UNWARRANTED REDUCTIONS.

SEQUESTRATION

Senator RUDMAN. I want to just start off briefly by saying that, speaking certainly for myself and I think many others, we are very pleased with the way you have handled the sequester that was ordered this month. I am not surprised considering your background that you were able to handle it.

I contrast that to, to take just an example, the Library of Congress that obviously suffers from the Washington Monument syndrome.

Out of a $400 million budget, the only thing that they figure that they can do is to close their reading room at night. That is the way they respond to it, plus a media campaign—and I do not think that will serve them well in this Congress even with their friends because it shows a decided spirit of not trying to do what the Congress set as priorities.

And so I want to commend you for what you are doing there and we certainly share your hope, and I think expectation, that we will not have a second year sequester.

The chairman of the Budget Committee is fond of referring to the bill as a planned train wreck and we do not want that train wreck.

I know that other members of this subcommittee are here this morning. My ranking member, Senator Hollings, and Senator Chiles both are on the Budget Committee and I don't know what their time constraints are this morning, but there are some serious time constraints.

I would be happy to defer to my colleagues here, Senator Chiles, if that's all right with Senator Bumpers, who was here first, unless you have a time problem, to ask questions.

Senator BUMPERS. I want these guys to get going and get a budget out.

Senator RUDMAN. I am very anxious to have them do all the work they can on the budget and I'm trying to be cooperative. Would that help you timewise?

Senator BUMPERS. It's all right with me.

Senator RUDMAN. Why don't you go ahead then Lawton and I'll follow you.

TRADE WITH JAPAN

Senator CHILES. Mr. Secretary, after years of negotiations with Japan, there has been little success by the United States in reversing our trade imbalance. Last year, U.S. trade to Japan dropped $5 billion.

There have been a few well publicized successes announced by the administration but these have been more procedural successes and substance. It really hasn't resulted in any improvement to the bottom line.

I have introduced two bills and other Members of the Congress have as well, of course, but the two bills that I have introduced are aimed at the bottom line of improving our exports. No. 1 is S. 1404, focusing on the trade imbalance with Japan and S. 2033, the Trade Expansion Act is focused on the international trade picture.

Both of them are similar in setting trade improvement goals. S. 104, for example, sets export improvement goals at $4 billion dollars this year and $3 billion for the 2 following years. Failure to meet those goals would result in foreign countries, Japan in the case of 1404, being denied access to U.S markets in the amount of the shortfall.

I would like to know your view on these bills, Mr. Secretary and ask you, when are we going to start taking a bottom line approach instead of just additional years of negotiations?

I relate back, as do all my colleagues, to the time when the trade imbalance hit either $14 or $16 billion and all of the Japanese came over wringing their hands, had meetings with us, told me they were going to take steps and they did. It went to 30 and we just have seen it progress on up the line every year and I don't happen to be one of these people who want to see us pass protectionist legislation. I didn't happen to support the textile bill because of that, but I am going to become a protectionist at some stage if we don't do something. It seems to me that the approach ought to be requiring the market access in improvement on our export picture.

But, I listened to your statement about what we need to do with antitrust and I tell you, you don't get my attention on that. Antitrust isn't our big problem in solving our trade situation. It would rank far down the scale with me along the lines of some of these other steps we ought to be taking.

TRADE BARRIERS

Secretary BALDRIGE. If I may, Senator, I don't think that's any reason for not doing it though because it is a definite help—would be a help and is part of the whole picture.

I agree the fundamental forces in trade are the relative strengths of the currencies and also the economic planning of the particular country involved.

Now, nobody shares your frustration as much as I do, believe me. I have been negotiating with the Japanese for 5 years. I did business in Japan for 20 years before that. I think I understand something about this problem.

The Japanese, ever since MacArthur's days, have grown up in this kind of a sheltered trade picture, sheltered from the international vicissitudes.

It began back in 1946. All these people growing up with that; that's all they know. They literally were puzzled, at first, when we started to say, this is a trade barrier. They're just used to it and that's part of our frustration in the negotiations.

First, the Japanese policies have been to have an export-led economy. What I am doing is trying to take the items in order of importance.

All of their planning, internal planning, as well as external planning is based on exporting more so that their GNP growth will come from exports more than from internal growth.

We can tear down all the barriers we want but until that changes, we're not going to have a significant change in our trade deficit—I mean a major change.

We have been trying to get that across to the Japanese and we are beginning to have some success with that and they have come out with a plan for stimulating their internal economy. We don't think it's strong enough, but at least it made a start and that's what we have to keep after.

Their lowering of interest rates. Their statements about growing their own GNP internally, not depending so much on exports.

You know, the first breaks in that scene, but until we see that, we're going to have continuing tensions.

STRENGTH OF THE DOLLAR

The second problem, as important, certainly, is the strength of the dollar. We have seen the Japanese-United States relationship go from almost 260 yen to the dollar down to 179 or 180 and that effect will not be felt until the last half of this year.

As a matter of fact, because the J curve, our trade imbalance is going to look worse the first quarter, particularly, probably the first 6 months. It did the first 6 months of last year. What we have to compare, and see how that dollar drop is helping, is the last 6 months of this year and the last quarter of this year with the last quarter of last year to get any kind of a valid comparison.

DUMPING

I think that will be a significant help. On the trade barriers that they have, I think you're aware of the Moss talks and so forth. I agree they go on for a long time and you get through these four and then we'll have another four and so forth. In the meantime, we are literally making much more aggressive use of 301 section of our trade law than we have before and of our dumping statutes.

We self-initiated dumping cases against the Japanese on 256K rams. The one megabit chip, that they haven't made yet, but it's the next step up, so we wanted to get that in the same case. We will be announcing those dumping figures, if there has been dumping, it's still down in my Department, sometime this week and if there has been, that will be a very serious problem for the Japanese along with the eraseable programmable read only memory chips [EPROM] that you may have noticed in the paper this morning. We found that the Japanese had been dumping anywhere from 24 percent to a 145 percent on chips and at the same time, obviously, our companies are withdrawing from that market so we could end up with no companies making one megabit chips unless we got this problem settled out, straightened out.

We're using, therefore, some tougher measures where they are breaking international trade laws, but the most important part of that whole trading relationship is going to be the willingness of the Japanese bureaucracy, the Japanese industry and, at some time later, the Japanese people start buying non-Japanese goods.

Their whole society is built around a curatzu, we're all part of a group, we're going to buy from each other, and that also excludes other Japanese firms, not just American and international firms, but that's the way they have grown up for all this time.

So, there is no one answer to that, Senator, but I would, with direct reference to those bills, I don't have them in front of me, but I would think we would have a real problem with the International Trade Laws under GATT if we took steps like that.

INTERNATIONAL TRADE

Senator CHILES. Well, I'm delighted to hear what you're saying now, but we didn't do it earlier on machine tools, we didn't do it earlier on shoes. It didn't exactly happen to be the Japanese in the shoe thing, but we had 301 opportunities that we did not take advantage of.

But it seems to me—is any of our other Western trade partners sitting back and not looking at the bottom line with Japan and saying, we're awake and Japan will have to change their whole philosophy of how they generate growth in their country.

Secretary BALDRIGE. Well, working along the same lines we are, Senator, they're all upset with the Japanese.

Senator CHILES. And they all bust their chops when they start getting the numbers above certain things. They don't allow to happen what we're having happen. They don't have the kind of imbalances that we have.

Secretary BALDRIGE. Well, some of the Pacific rim countries do and they're upset with the Japanese as we are and their unwillingness to.

Senator CHILES. I'm not talking about our Western European trade partners. They have been able to come to grips within the international trade restraints, that the Japanese haven't brought anything. They don't allow the exports into their countries in that kind of magnitude that we have and they're talking about bottom line figures with the Japanese.

Secretary BALDRIGE. Well, the Japanese market really is—their most natural market is the United States, not Europe. They expend more effort here.

Senator CHILES. That's all the more reason we ought to be at least saying, you know, how in the world can we tolerate a situation where our exports declined a billion dollars going to them when we're seeing these tremendous increases every year, how do you change the Japanese people's philosophy as to whether they're going to buy American goods? Are we going to change that, as Americans outside, or are we going to have the Japanese' help. If we have a bottom line thing, then we have their assistance in changing some of that philosophy.

I'm taking too much time.

Senator RUDMAN. I'm going to——

Senator HOLLINGS. Just on that one point. The Europeans cut it right in half back in 1981. You know that and I know that. That's how they react.

If we say we're going to do anything like that, "Oh chicken lickin', the skys going to fall," they are going to retaliate. This is a business deal. This is competitive trade and now we might start enforcing the 301. Isn't that grand? I mean, we ought to be embarrassed the way we administer the laws and the trade agreements. Shear embarrassment. There isn't any question about it in my mind.

We finally found something semiconducters and chips, while all the rest of the industries, the whole thing, machine tools, can go right on down the list of everything.

But, anyway, excuse me.

TRADE LEGISLATION

Senator RUDMAN. If I could just make one comment to the Secretary, then I am going to yield to Senator Bumpers.

I just want to make an observation on that.

Taking the temperature of the Senate, certainly, I would have to say, Mr. Secretary, before we leave this particular issue, that if Gramm-Rudman-Hollings was a bad idea whose time has come what you're going to see in trade legislation is going to be a terrible idea whose time has come because there are many people coming to the conclusion, as my friend from Florida has expressed, that the only way to get the Japanese to change their internal ways of operating is probably not with honey but with a baseball bat and it's apt to happen and it's apt to happen from people like this Senator from New Hampshire who generally has been a free trader up to now, but I have about had it about had it with their politeness and their protracted negotiatinq skills and their method of defogging and befuddling issues and if a few of us get together and put our shoulder to the wheel on this, a broad bipartisan coalition, it's going to be a steam roller and somebody had better recognize that is going to happen. Just like nobody thought anything would happen with deficit reduction on September 25 and it did, something may happen with this, and it may not be what you like, what I like, what the President likes, and it surely won't be what the Japanese like. But maybe the only way they are going to get the message is to get hit right square between the eyes with a bat to get their attention. And some of us are willing to pick up the bat.

I just wanted to make a point.

Secretary BALDRIGE. Let me say, I recognize that may happen.

TIMBER IMPORTS

Senator BUMPERS. Mr. Secretary, do you have any bilateral talks going with Canada on timber imports?

Secretary BALDRIGE. Yes.

Senator BUMPERS. What is the status of them?

Secretary BALDRIGE. Well, I think there have been about two or three so far, haven't there? So it hasn't gotten into the nitty gritty yet. When you start those out, the first two are called factfinding and so forth. We are trying to put pressure on them to have some settlement before the Summit, you know, before Prime Minister Maroney comes down here. I doubt very much if we can.

Then there will be obvious pressures in the Senate and the House to say, "Well, we can't start—we shouldn't start free trade negotiations unless you get timber settled," and other people are saying, "Well, you ought to pull that into the negotiations." What we are trying to do is head that off at the pass and get it settled as quickly as we can. But we are in the middle of those now.

Senator BUMPERS. Does the Commerce Department still maintain that there is no subsidy of Canadian timber? That was a 1983 Commerce Department decision.

Secretary BALDRIGE. Under the law then we would maintain the same thing.

Senator BUMPERS. Do you maintain that now?

Secretary BALDRIGE. There has been a change in that law.

CANADIAN SUBSIDIES

Senator BUMPERS. Are you familiar with the *Carbon Black* decision? Do you subscribe to it?

Secretary BALDRIGE. Which decision?

Senator BUMPERS. The *Carbon Black* decision, as I understand it, is the Court of International Trade——

Secretary BALDRIGE. Oh, yes.

Senator BUMPERS. — says that you are wrong about Canadian subsidies.

Secretary BALDRIGE. No. We disagree with that.

Senator BUMPERS. You do disagree with that?

Secretary BALDRIGE. Yes, sir.

Senator BUMPERS. Well, let me ask you this. How do you think you are going to deal with the Canadians——

Secretary BALDRIGE. That was the *Carbon Black* decision.

Senator BUMPERS. Yes. But the *Carbon Black* decision essentially overruled the Commerce Department decision that Canada was not subsidizing its timber industry.

Secretary BALDRIGE. Yes. Well, our law states very clearly that if the subsidies—if what is being charged as a subsidy is applied universally and not just to sectors or not just for export, that it is not countervailable. And our findings were exactly that. That was a tough case.

But I do not recall to mind right now what precedent the judge used to rule against that, but we are appealing it because we did not agree with it.

Senator BUMPERS. In appealing that don't you think you have very significantly reduced your leverage in dealing with the Canadians on this issue? I mean, if you are saying to them going in, we don't think you subsidize your timber. Even though they obviously have a $50 to $100 or a $1,000 stumpage fee advantage over American timber industry. No. 1, are you saying that's not a subsidy? No. 2, the Canadian dollar against the American dollar, considering inflation, is exactly the same exchange rate now that it was in 1975 and yet during that period of time Canadian imports into this country have gone up from 20 percent to 33 percent headed for 100 percent. Now, how do you negotiate with somebody when they know that you are on their side to begin with?

Secretary BALDRIGE. Well, Senator, I don't think they are going to 100 percent.

Senator BUMPERS. Well, maybe not going to go up to 100 percent, but——

Secretary BALDRIGE. They have gone from 20 percent to 33 percent over how many years? Fifteen years or something like that. What we did to show——

Senator BUMPERS. They have 40 percent of the softwood business in this country, Mr. Secretary. That's the lumber that goes into houses which is really critical in my State. Forty percent—even in Arkansas, as far away as we are—of the home timber in our State is from Canada.

Secretary BALDRIGE. They have had their stumpage program in the same form for a great number of years now, I don't know how many years. Fifteen, twenty, twenty-five years. No complaints about it until the U.S. system, which encouraged bidding, as people thought inflation was going up. Now, there was a bidding rampage 4 or 5 years ago that people thought they would make out because inflation would always go up. Now there are a lot of companies stuck with high-priced——

Senator BUMPERS. Well, as you know, we passed a bill last year that alleviated that problem for all small timber industries in this country, and they are the ones that are closing in my State.

Secretary BALDRIGE. But that is what started after a 15-, 20-year program that the Canadians had been in. All of a sudden we are saying, like some of the natural resource provisions that I see in the Senate, that that's no good.

Now, believe me, I am for the American timber people. But what we have to think about in those cases is if we are going to declare that a natural resource subsidy, we get in the same box that we do when we are talking about natural gas because it is cheaper in Mexico and available to all industries so it makes their cement cheaper than our cement. It's given to everybody. If we call that a subsidy for the Canadian timber, then other countries are going to be able to come down and say that every irrigation project that we've got that's sponsored by the U.S. Government is also countervailable if we ship out to their country.

PROTECTIONISM

Senator BUMPERS. I think you are talking about apples and oranges. To pursue your argument to its extreme, you are saying that there are a whole host of industries in this country that are going to be eliminated, cement being one of them. And in my opinion, timber virtually eliminated.

I do not want to take up too much time with the Secretary. We obviously have a basic disagreement. But I want to say that this administration is making people like Fritz Hollings and Warren Rudman and Arlen Specter and me who are very thoughtful, good Senators who do not believe in protectionism. You are not leaving us any wriggle room. I am not a big protectionist, but I just think we have gone too far. Following up on what Senator Chiles said a moment ago about Japan, whether it is Canada, Korea, whoever it is, the truth of the matter is, those countries know now that they have a bird's nest on the ground. That this administration, when we pass a bill on textiles, by what was the vote, Senator? About 63 to something.

Senator HOLLINGS. That's right.

Senator BUMPERS. They know they don't have to negotiate with you when they have got the President sitting in the White House with his veto pen at the ready.

Senator HOLLINGS. You got the vote. I started to interrupt a minute ago, but the steamroller started last fall, that's right.

Senator BUMPERS. Yes.

Senator HOLLINGS. Clayton Yuetter said there's not going to be any trade bill. We passed one over his objection, the whole administration's objection. They fought like tigers. We passed one and put it on the President's desk. We are going to pass some more and put them on the President's desk, I can tell you that.

GATT POLICY

Senator BUMPERS. The ITC recently found that United States timber firms are as productive as Canadian firms. And if that's true, how on Earth can they continue to capture an increasing share of our market if they aren't being subsidized? Your answer to that is, well, as long as they do it for everybody then there is no damage done. Or you wouldn't say there was no damage done. Our policy is that the stumpage system doesn't constitute a subsidy.

Secretary BALDRIGE. That is not our policy. That is the GATT's policy, the State Department's position——

Senator BUMPERS. Well, if the GATT was being enforced I wouldn't have to say a word to you.

Mr. BROWN. Let me throw a thought into the argument. It seems to me that their stumping system is a lot more market oriented than our bid system.

As the Secretary said, what happens is an American firm bids in the price that they think the timber is going to cost and they are stuck with it. And we have got some of those bids that go back to the high inflation rate.

The Canadian system is much more flexible. As the price of timber varies, the Canadian stumpage fee lets them come in at a lower price.

Senator BUMPERS. But there is one province in Canada where they buy timber for $2 a thousand.

Senator HOLLINGS. And ours are $65 in our national parks. We have both got national forests. You go down and buy it for as much as $65, and you can go buy it in the Royal Canadian——

Senator RUDMAN. I will correct you, my friend. All three of us have national forests.

Senator HOLLINGS. Right. Pardon me, I will talk about mine, you can tell about yours.

CATFISH FARMS

Senator BUMPERS. Mr. Secretary, let me pursue one or two other things. First, let me extend a very warm and hearty invitation to you to attend the catfish luncheon that Senator Pryor and I——

Senator RUDMAN. Is that native or imported catfish?

Senator BUMPERS. Which brings me to my main point.

I never thought that for this luncheon I would have to fight for $333,000 for our catfish experimental farm in Stuttgart, AR, but I see you zeroed it in the budget again.

You know, if this administration treated the Defense Department the way they do fisheries in this country, wouldn't we have a surplus in the budget? But these fish farms and fisheries, it just blows my mind the obsession that Interior and Commerce seem to have with these things.

You know, I will give you an illustration and this is largely as a result of one little old experiment farm in my State and a couple of others in Mississippi. We now produce close to 350 million pounds of catfish, we, the Nation—350 million pounds of catfish a year. That is up from 325,000 pounds in 1960. In 1960, we produced 750 pounds of catfish per acre. Today the average is around 5,000 pounds. All as a result of the experimental programs.

That's a $300 million industry in this country as a result of spending about $2 million a year. Does that make any economic sense to you?

Secretary BALDRIGE. You want a straight answer? No. Catfish farming is like any other kind of farming. You have got this big industry going now, as you said. Why do you need any more money for it?

Senator BUMPERS. Well, why do you want $10 million for this research project? Why can't the private sector handle that?

Secretary BALDRIGE. Because they don't have a nuclear reactor, No. 1. They don't have——

Senator BUMPERS. Well, $10 million isn't an awful lot to ask the American industry, is it, to invest in a research project?

Secretary BALDRIGE. They will be renting the space for this and it covers about at least 10 or 15 different kinds of new materials. No one country is going to make all of those. It covers a broad range.

Senator RUDMAN. I think just in fairness, I am going to have to call you on time at this point unless you have one more you have to ask. Would that be all right?

Senator BUMPERS. I wanted to just say that I think that I have the votes in the Senate to get that money restored, but it is just an enigma to me that the obsession of this administration on fish hatcheries and fishery experimental farms.

Secretary BALDRIGE. Well, Senator, I can say really the obsession is we are trying to get the budget deficit down. It is not anticatfish. I mean, it really isn't. Two of your colleagues here have had a good idea. That's our obsession.

Senator BUMPERS. Well, you know I have an obsession with the deficit too. And voted for this bill that Warren Rudman put his name on. But, you know, what we are talking about here are priorities. I mean, if you want to get the budget down we can just go through and start zilching out programs indiscriminately. I am talking about why do you pick on the ones that have a great economic benefit to the U.S. Treasury? How do you deal with a deficit when you have got a $20 benefit for every dollar you spend on this?

Secretary BALDRIGE. You don't think that private catfish farmers can grow their own catfish themselves?

Senator BUMPERS. I guess if they had to they probably would. But I will tell you one thing. They wouldn't have increased their production from 700 pounds to 5,000 pounds an acre in the last 20 years without some help.

Secretary BALDRIGE. Most of that came lately, and it was in good part due to the Export Trading Companies Act that a lot of you supported. And we have got one of our most successful export trading companies exporting catfish to all those lucky people abroad now as a result of that act.

Senator RUDMAN. I think I am going to call time on catfish.

I want to just make one correction and that is that my friend from South Carolina has been telling people the reason it is called Gramm-Rudman, not Gramm-Rudman-Hollings, is that he has got more friends in the press than we have. That's what he tells me.

STATE DEPARTMENT ROLE

Mr. Secretary, I am going to yield to the Senator from Pennsylvania, but before I do I just want to make a comment that I think in fairness to you I think that some of us are aware on the import issue of the positions you have taken within the Cabinet. And we are aware of your advocacy.

I intend to notify the Secretary of State that when he appears before this committee, to the extent that we are not violating some sort of executive privilege, I want to hear the State Department's role in all of these. Particularly the shoe decision, where the law was followed, the ITC followed the law, found what they were supposed to find, followed the process, only to find the Commerce Department and ITC overruled, and I have to believe by DOD and State Department interests who I sometimes think are much more concerned about relationships with other countries than they are about jobs in this one. So I think we have to be fair with you, that we understand the position that you have taken, and I think that you have been overruled and we intend to ask them why.

Senator Specter?

UNFAIR IMPORTS

Senator SPECTER. Thank you, Mr. Chairman.

Mr. Secretary, first I compliment you for the battles which you have been waging within the executive branch for industry in this country. And I would like to revisit the subject that you and I have talked about on quite a number of occasions. And that is legislation which I have been pushing in the 97th, 98th, and 99th Congresses to try to open up the Federal courts to have the authority to issue injunctions to try to deal with the problem of unfair imports in a legal context dealing with some of the issues that others have raised, Senator Rudman talks about, what the Departments of Defense or State want to do. And some of the tremendous delays which have occurred in the enforcement process at the present time.

Let me begin with a question on a number of cases where the President overruled the ITC with recommendations by the Commerce Department, footwear in 1985, rejecting unanimous administration decision. Steel, in September 1984, the President overruled a 3-to-2 decision of the ITC. Specialty steel in 1983, a recommendation rejected as to roll steel. Mushrooms, in 1980. Then machine tools, a subject that's already been discussed here today, where there has been no Presidential decision at all for more than 2 years now at a time when the foreign market penetration has increased markedly, 23 percent in 1980 to 43 percent in 1985.

What is the United States getting for these major concessions to U.S. industry? Each one of these items is very, very painful to a State like Pennsylvania.

Secretary BALDRIGE. Well, Senator, you didn't mention the cases where the President agreed with the ITC, and there have been three or four of those.

STEEL IMPORTS

I don't think the steel case is really applicable because the President did not want to issue a 201 finding, but he tried to accomplish the remedy with what he thought was a better form of relief. And I think we are beginning to see that work in the first part of this year as we have always said it would.

Senator SPECTER. Mr. Secretary, I have to disagree with you about that. You are talking about the voluntary restraints, 18½ percent?

Secretary BALDRIGE. That is 18½ percent before semis. It is about 21½ percent with semis.

Senator SPECTER. It is not happening. The decision was overruled in September of 1984, and we are 18 months down the road.

Secretary BALDRIGE. Steel imports were 22 to 23 percent in the month of January. But be that as it may, to get to your point, the reasoning that prevailed in those decisions—it was not as simple as this, but let me say that the most important part of the decision to make the process, the most important argument that won out, is that the relief anticipated would have hurt the rest of the economy more than it would have helped the groups concerned. In short, the cost to the consumers would have been higher than the relief provided to the industry. And you can agree or disagree with that, but that was the thinking. Not just let's be friends with our allies and not cause them any grief.

COURT ADJUDICATION OF TRADE ISSUES

Senator SPECTER. Mr. Secretary, when we established the law in this country that we are not going to take in subsidized or dumped goods, and this goes to the central core of the legislation which I proposed, why shouldn't that be adjudicated in the courts as opposed to the vagaries of the administrative process with executive action. We really didn't get justice for blacks or women in this country or minority groups until those rights were enforceable in court. Why shouldn't there be a remedy in court to enforce the laws and statements of public policy which the Congress has articulated?

Secretary BALDRIGE. Well, in the 201 cases, Senator, it is in the law that the President can either go along with, overrule, or propose a different remedy for the 201 cases. He has to address it. That's part of the law. He has agreed with the ITC on some cases. He has disagreed on others. In some, like steel, he has proposed a different remedy than the proposal by the ITC. So I don't think that's been flaunting the law of the land. It's in the law that the President can do that.

Senator SPECTER. Where there is proof of subsidy, why shouldn't the remedy be exclusion of that import from coming into the United States?

EUROPEAN SUBSIDIES

Secretary BALDRIGE. Well, that's a very complicated question, but let me say on subsidies and dumping cases, the European cases that were the biggest source of concern to us in total we did find subsidies. We were, and I publicly testified many times, willing to carry those subsidies through. U.S. industry thought it was to their advantage to settle as we did, and this is with the concurrence of the industry.

For example, we found the Germans and the Dutch were subsidizing very little to nothing. The French, the British, the Italians, the Belgians were subsidizing heavily. Now, if we put through the subsidy penalties, the countervailing duties, we would have seen the Germans and the Dutch with no penalties. Our industries are afraid of other countries shipping stuff through there so we would get an influx from just those two countries that would have been impossible to stop. That's a business judgment that we went along with because the industry did. That was not our rolling over the industry to say, no, we are not going to put on these subsidies. I was perfectly willing to put the subsidies on.

As a matter of fact, if we hadn't have gotten this last agreement the industry would have refiled new cases and we were willing to let them go through that.

HANDLING OF DUMPING COMPLAINTS

Senator SPECTER. Secretary Baldrige, when you have a situation as reported today about the Japanese dumping ships, why shouldn't that kind of egregious violation of our trade laws be met with—why shouldn't there be an alternative remedy for injunctive relief to stop those goods from coming into this country?

Secretary BALDRIGE. Well, I think that is something that ought to be looked at by the Congress. The way the law is written now, the preliminary finding of dumping that we found on EPROM's went anywhere from 24 percent to 145 percent yesterday. Immediately in that preliminary finding the importers have to put up a bond or cash deposit until the final decision is made. So that's going to begin to hurt them or take effect on them as of today, as of yesterday actually.

After EPROM's, we have the self-initiated dumping cases on DRAM's and megabit chips.

Senator SPECTER. The problem is the bond may give them some pain, but as long as the goods keep coming into this country it takes away the markets for domestic production and jobs are lost. That's the difficulty of countervailing duty or the bond or any remedy short of stopping the goods from coming in to take away our markets and take away our jobs.

Secretary BALDRIGE. Well, then, if the Congress feels that way they should change the law but I have to administer the law as it is. And we are doing that.

Senator SPECTER. Would you support change in the law to have that——

Secretary BALDRIGE. I think there are some changes that should be made in the law.

Senator SPECTER. How about for injunctive relief in the courts?

Secretary BALDRIGE. I would have to study that further, Senator. One thing I think should be looked at, and this is not an administration position. This is my own personal viewpoint, I am careful to say that. Assuming there is dumping coming from one country, the bond is put up. After a year they get a review, and if they have raised their prices so there is no dumping they get the money back. Now, I think that point should be looked at.

When you say "injunctive relief," I would have to look at what kind of relief or what it would mean and so forth, but I think it's worthwhile taking a look at the law.

Senator SPECTER. OK, Mr. Secretary, if you are willing to take a look at it, you and I will pursue that after the hearing is over at a later date.

LEATHER AND CITRUS CASES

Just one last question. I am told that the leather case took 5 years to get a decision and the citrus case took 9 years to get a decision by the President. Are those timetables accurate?

Secretary BALDRIGE. I am not aware of that length of time.

Senator Specter. Those seem extremely long to me even under the slow processes of getting action by the executive branch, but I would appreciate it if you would have your staff take a look at those cases and let me know, let the subcommitee know, as to what the delay was, if any, and what the causes were.

[The information follows:]

LEATHER AND CITRUS 301 CASES

I don't think it's accurate to say that no decision was made in those cases in the timeframes you outlined. As I will describe, persistent efforts were made to resolve those cases satisfactorily.

In the case of leather, USTR initiated a 301 investigation in August 1977. This led to a 1979 understanding with the Japanese on expanding the quota on imported leather. In light of this understanding the President decided not to take retaliatory action, but rather to direct USTR to monitor implementation of the agreement. In 1983, when the results of the agreement proved unsatisfactory, we renewed our complaint in the GATT. A GATT panel found in our favor in February 1984 and the GATT Council adopted the panel report in May 1984. We rejected as inadequate Japan's mid-1985 proposal to replace the quota with a high tariff. In September 1985 the President directed USTR to recommend retaliation unless we resolved the leather and leather footwear restrictions satisfactorily by December 1. In December Japan agreed to compensation of $236 million through reduced (or bound) Japanese tariffs, and the United States raised tariffs on imports from Japan of leather and leather products.

USTR initiated the citrus 301 in November 1976. During the Tokyo Round negotiations in the GATT we sought duty reductions by the EC on citrus to resolve the case. In 1980, when tariff negotiations had failed to produce adequate results, we began formal GATT dispute settlement. A full panel report was issued in December 1984 to the GATT Council, but the EC repeatedly blocked panel adoption of the report. When further efforts at negotiation failed, effective July 6, 1985, the President imposed increased duties on imports of EC pasta. We still seek to negotiate a resolution to this issue.

We agree with those who say that such disputes have taken too long to resolve. The administration has proposed two remedies: (1) Pressing for reform of the GATT dispute settlement process in the New Round negotiations which will be launched in September 1986, and (2) supporting legislative proposals for setting a 24-month maximum deadline for resolution of cases brought under section 301. Through these two means we will make it clear that we have limited patience for resolving disputes.

GATT

Secretary Baldrige. Those cases that you are talking about, I wasn't aware of 201 cases, dumping cases there, that come under our jurisdiction. These cases, we have to take them to the GATT, dispute settlement mechanism, and what took so long was the GATT finding there.

We are trying in this GATT negotiation—as a matter of fact, I hope we are going to insist on it. It is certainly high on our priority that we strengthen the GATT dispute mechanism so that it is speedier and more effective. We share some of that blame because the Senate, in the late forties or early fifties, when GATT first was voted on, GATT was not meant to be a strong dispute settlement mechanism. There was a companion body called the International Trade Organization, the ITO. It was supposed to handle the dispute settling. The Senate voted out that part of it so we didn't go along with it and as a result it didn't come through. And we are left with an international trading body, the GATT, that simply does not settle disputes. Everybody realizes that. It does not have an effective dispute settlement mechanism. We should change that. No question about it.

IMPACT OF BUDGET CUTS

Senator SPECTER. Mr. Chairman, I have some other questions which I would like to submit for the record.

Senator RUDMAN. They will be.

Senator SPECTER. Just very briefly, Mr. Secretary.

The Trade Adjustment Assistance Program that is so vital for a State like mine, very vital for the country; the Economic Development Administration, these are issues. The Small Business Administration really impacted very, very heavily on my State. I have had hearings around the State on the impact of the current budget, Gramm-Rudman-Hollings and there are many parts of Pennsylvania and I think this is reflected across the country which are very much in need of these kinds of aids.

Thank you very much, Mr. Secretary. Thank you, Mr. Chairman.

Senator RUDMAN. Those questions, and other questions from Senator Bumpers and others will be submitted for the record and will appear at the conclusion of the hearing.

APPAREL AUTOMATION

Senator RUDMAN. Senator Hollings.

Senator HOLLINGS. Thank you, Mr. Chairman.

Mr. Secretary, the Commerce Budget for 1987 eliminates the funding for the Draper Laboratory project relating to automated apparel manufacturing. I understand that both industry and labor say that real progress has been made on the project.

And, with the competition, namely the Government of Japan, committing $60 million to its apparel automation and American industry and labor unions are willing to continue their financial commitments, why is the administration anxious to terminate its contribution?

Secretary BALDRIGE. Let's see, we put in——

Senator HOLLINGS. What we have got to do is meet the competition. You and I have heard talk for 10 years now about labor and government and industry working together in partnership. This one is working and now we're going to terminate it.

Secretary BALDRIGE. Let's see—we have put about $8.5 million in that since 1981. That has been matched by industry contributions, as you pointed out.

We think, under the budget structures that we have now, that ought to be entirely supported by industry. I don't think it is any more complicated than that, Senator.

In 1985, we put in $3.5 million on automatic sleeve setting machines and machines for sewing zippers and pockets and we got another $3.5 million in 1986 for completing three factory prototypes for men's suits and developing lab seam automation and so forth.

I agree with you, it has certainly done some good, but how much should the U.S. Government continue in that area?

BUDGET DEFICITS

Senator HOLLINGS. This is a program that is well conceived. You say you're not anti-catfish but you're deficit crazy. We wonder about that. The President's budget asks for $61 billion in increased spending and the President of the United States is known as a spending cutter, he can only find $22 billion in all the $1 trillion budget.

You turn to page 3–24 of the budget and look at all the domestic programs, but the President could only find $22 billion to cut and yet he wants to increase it some $61 billion. So we wonder, that's $39 billion difference there and you got another $38 billion here and that's $77 billion. Your revenues are only $57, so that leaves you $20 billion shy and you're probably going around saying, there's not going to be any revenues and you'll probably say, by the way, we're worried about the deficit, it doesn't reconcile, it doesn't add up.

You cannot be both proud of doing something about the deficit and insisting on doing nothing about the deficit. That's why your budget was turned down. I'm embarrassed for the President. It was 16-6, just turned down. It's going to be continued.

The administration even fought against the constitutional provision. The administration wanted a constitutional provision that the Congress should present a balanced budget, but, on the floor yesterday afternoon, they fought against a requirement that the President submit a balanced budget. Then the Secretary says, we're crazy about deficit reduction. That doesn't add up in my mind. I think you got some priorities and we got some priorities and we're going to have to compete.

Our Government is going out of business. This fellow, Asio Morita, chairman and cofounder, Sony Corp., I want to quote him from this article in Business Week, so I know you have read him too:

> American companies have either shifted output to low-wage countries or come to buy parts and assemble products in countries like Japan, that can make quality products at low prices. The result is a following of American industries. The United States is abandoning its status as an industrial power.

REPORTING OF IMPORTS

That's what the Japanese say about us. We're waiting for their system to change. Their system is already successful. Ours is indolent, apathy, and this so-called nonsense called free trade, it's competitive trade. We're not competing. They're not going to change. They would be fools to.

I'm for the Japanese. They come out competing and taking over markets and the old Yankee Trader vanishes. That's what I thought you folks were.

In a speech in Granada, the President announced a plan to sell out the apparel industry in America. As long as the fabric is made in America, from American made factories, it will have higher guaranteed levels.

Mr. Secretary, this is going to require very careful monitoring in order to prevent cheating. Does the Commerce Department have the resources necessary to monitor and to provide the kind of active reporting required?

Secretary BALDRIGE. Well, that's Customs, not Commerce.

Senator HOLLINGS. You don't have the monitoring of that?

Secretary BALDRIGE. We monitor the figures that Customs gives us, but we have adequate people to do that, but the problem involved in monitoring is getting the shipments in and out of the ports so you got the same amount coming back in as you sent out.

Senator HOLLINGS. You don't go in behind those Custom figures at all. You referred to the thing about the semiconductors.

Secretary BALDRIGE. We go behind the Custom's figures, but we have to take the Custom's, that's my point and we have adequate resources to act on what the Custom's figures show us.

ADEQUATE WORK FORCE

Senator HOLLINGS. From what you know, and are interested in, I think you're interested in it, does Customs have an adequate work force to do this?

Secretary BALDRIGE. Well, we brought that subject up inside the administration and they say they will.

Senator HOLLINGS. Yes, but they're cutting 700 Customs agents. What's your comment on that?

Secretary BALDRIGE. My comment on that is that the Treasury Department has said that they will be able to handle it.

Senator HOLLINGS. Was that Treasury or you? For example we only found out in August of last year about the ownership of some 20 million square yards say, from Thailand, which started way back in 1984. Took us a year to find it out. Is that adequate monitoring?

Secretary BALDRIGE. Well again, we have been behind by some months, in the harshest view, because it could be weeks, in some cases and it stretches out to a couple of months in other cases.

On the reporting of incoming goods, what happens is that it's Custom's responsibility to count all the goods coming in, the paperwork and so forth. They collect the paperwork, send it to Census, which is part of the Commerce Department and then Census puts it into the form that we use.

We have been behind on that because of the increase in exports. When I say, "we," the administration as a whole has been behind on it because we have seen, particularly, at the Port of Los Angeles, delays in getting timely numbers through based on the actual import and that is being cleared up now. Treasury says it will be cleared up this year. Customs works for Treasury.

Senator HOLLINGS. But you don't need any further resources? In other words, we put in a computer. We sat here and listened and we gave Juanita Kreps the money to put in all the computerization and everything else so we could get like the British and know within 30 or 60 days.

Secretary BALDRIGE. We don't have any problem with our resources on being able to handle it.

Senator HOLLINGS. You don't have any problem with your resources at all?

Secretary BALDRIGE. No.

Senator HOLLINGS. So if anything is wrong, it's over at Customs. Can I quote you as saying that?

Secretary BALDRIGE. No. I was just going to say that was your quote. I've got to live with those guys.

Senator HOLLINGS. I got to live with you. I got to find out something so we can do it.

IMPORT GROWTH

Let's look at Secretary Baker's report now about the growth in the Textile and foreign imports. He said, most of it occurred because of—and I'm quoting him, ". . . the structure and coverage of our quota agreements."

The report went on to say and I quote, "Much of the growth has occurred in those other categories before the imposition of quotas."

TEXTILE AGREEMENTS

Now you head up the committees that implement the textile agreements and you're the one responsible. Why does it take so long to act on Secretary Baker's report?

Secretary BALDRIGE. Well, the number of calls that we have made under our multifiber arrangement, back in 1980, it was about 19. In 1985, it was 129. That's how much that workload has increased.

We, along with State and USTR, work on the committee that decides what calls to make and we have stringent criteria for that. We have increased the number of calls by a large margin. The complexity of the kinds of imports coming in and the accounting of them right now is the major problem on, let's say knowing what administrative action the Congress and State and USTR should take.

I think you know as well as I do, Senator, that we have been able to enforce the MFA itself pretty well. Not perfectly, but, at least, pretty well and we've done it by increasing the number of calls.

The amount of textiles that are not covered by MFA, what countries are shipping into and we're finding all kinds of countries getting in, including some of the larger ones, some of the Big Four getting into areas that aren't covered by the MFA once they hit the top of their MFA quotas and that's a big problem, there's no two ways about it.

Senator HOLLINGS. Could it be State? I remember the testimony before the Ways and Means Committee over on the House side. Rostenkowski, Jenkins, and the others were holding hearings and State said they had 15 calls from the Commerce Department and they hadn't issued the calls.

You might have a lot of calls, but are they being issued?

Secretary BALDRIGE. These are the ones that were actually, 129 last year compared to 18 in 1980.

Senator HOLLINGS. Do you have any other knowledge?

Secretary BALDRIGE. No. We have them pending.

Maybe there's confusion on this point. This Textile Committee that handles these calls has three or four agencies on it. There's State, USTR, and Treasury is on it and obviously sometimes there's disagreements. Sometimes we want to make a call and they don't want to. Sometimes vice versa. I would say more the first. Unless we get agreement there, we have a difficult time of it.

PENDING CALLS

Senator HOLLINGS. How many calls would you say you have pending or let's say the State Department holds up. You determine there should be a call, but they determine there should not be and therefore it is pending?

Secretary BALDRIGE. Well, I wouldn't have the figures on that.

Senator HOLLINGS. Can you furnish that for us, please, later?

Secretary BALDRIGE. Surely.

[The information follows:]

PENDING CALLS

At the present time there are no calls pending. ITA continually works with the other CITA (Committee for the Implementation of Textile Agreements) agencies to ensure that the call process is as expeditious as possible.

IMPORT LICENSING

Senator HOLLINGS. On the subject of import control. We spend enormous sums of money each year to monitor and enforce all these programs. This includes not only textiles, but steel, agricultural products, and whatever. The programs are all different. It's highly complex and it's difficult and costly to administer.

Wouldn't it be a lot simpler and a lot less costly, Mr. Secretary, if we switched to an import licensing system?

Secretary BALDRIGE. You mean license every import that comes in here?

Senator HOLLINGS. Yes, like they do us. That's the way all the trading countries do us. You act like that's a surprise.

You've been in business 20 years, you have to get a license in order to do business. Same way they do, play by the Japanese rules, yes, sir, that's right.

Secretary BALDRIGE. Well, in the first place, as you know, we don't license all imports.

Senator HOLLINGS. I know we don't. I'm asking you if that wouldn't be a much more simpler system.

Secretary BALDRIGE. It would be simpler, but it would shoot Gramm-Rudman-Hollings right out the window. I don't know how much that would cost, Senator. That's a tremendous amount of workload to license every import coming in.

Senator HOLLINGS. Well, not every little article, every little ball, every little shirt or sweater, but they would have to get a license for certain amounts, rather than just an MFA or agreement or an arrangement to be enforced and wonder whether Customs or one of the agents was going to report it. So when you finally get it and understand it, then you issue a call to the State Department and they object to it. We're in a cobweb here. We can't get loose. We can't get anything done.

I'm not worried about Gramm-Rudman-Hollings. I think we would put an amendment in to Gramm-Rudman-Hollings for a licensing system, wouldn't we, Mr. Rudman?

Senator RUDMAN. We'll have to take that under consideration.

Senator HOLLINGS. We got two out of three here. We could put you in charge of the License Office just like you have the Patent Office. In fact we would make a profit.

Maybe you could institute this and help us make some money.

Senator RUDMAN. It may help reduce the deficit.

Senator HOLLINGS. Yes siree, this could help Gramm-Rudman-Hollings.

They do, they pay for every patent, simple as that and they make a profit. Good idea. Gramm-Rudman-Hollings should have included a license fee.

Senator RUDMAN. Well, Gramm must have forgotten about it.

Senator HOLLINGS. Well, I got some other questions on LANDSAT, fisheries, and NOAA and Senator Chiles has some.

Senator RUDMAN. We'll include them in the record

Senator HOLLINGS. Thank you, Mr. Chairman.

SBA

Senator RUDMAN. I have decided to go last today. But I will keep the questions very brief and to the point.

On the SBA proposal, if in fact it were to be adopted and the nonloan activities were shifted to your Department of Commerce, they have about 1,500 positions in 115 field offices presently doing that type of work. You are going to receive 595 positions in the proposal.

The question is will those be distributed throughout Commerce in your field office structure? Will it be in the ITA, the Minority Business Development Agency? What would you do? I assume that we are going to lose SBA as we know it, even through Commerce, in a lot of States. For instance, you do not have any offices in the State of New Hampshire.

Secretary BALDRIGE. No, there would be an under secretary as Bud says. And so that would mean a separate organization would just be——

FIELD OFFICES

Senator RUDMAN. But my question has to do with these field offices that exist in every State in the Union.

Mr. BROWN. May I, Mr. Secretary?

Secretary BALDRIGE. Yes, sure.

Mr. BROWN. In the 8(A) Program, for instance, that would come under MBDA. While MBDA is a Commerce function the Foreign

Commercial Service Office, that is the domestic office in the United States, and MBDA are in two separate locations, so some of those people in the 8(A) Program would go to the MBDA location probably.

Senator RUDMAN. I understand that. But in many States where Commerce does not have an activity, the people in that State would have to go someplace else for any contact with those activities.

Mr. BROWN. That has not been reviewed. But our assumption is that where we have the office on two different floors of the Federal building, we will probably consolidate some of those offices and consolidate some of the personnel. We may leave some of the offices in areas where as you say Commerce doesn't have an office, but that study hasn't been made yet.

Senator RUDMAN. I understand that. But it would seem likely to me that places like Maine, New Hampshire, Vermont, that have an SBA office but don't have a Commerce office, Commerce having a major presence in Boston, that it would be unlikely that the Commerce Department would now set up a new activity for Commerce and for SBA in those States. Isn't that a reasonable expectation?

Mr. BROWN. We just haven't run down the matching figures yet. But we are in the process of trying to figure out where we will be able to eliminate people and where we will have maintenance of some——

Senator RUDMAN. Well, I am going to make the assumption, and you let me know if the assumption is wrong, that a lot of smaller States that do not have any Commerce activity per se in that State, probably will not get a new Commerce activity because they're losing SBA. I am going to make that assumption. I think that's a fair assumption.

Mr. BROWN. I think so, yes.

TRAVEL AND TOURISM

Senator RUDMAN. Mr. Secretary, a very quick item on a very small item. Somebody on the staff gave me a wonderful commendatory letter that appeared in Business America about U.S. tourism and travel. And I won't read the whole thing but you said that you saluted the private sector and State and local tourism groups for their outstanding contributions, their work in conjunction with the United States Travel and Tourism Administration that has kept the United States competitive in the international tourism marketplace. You talk about tourism and how important it is. It is one of the most important things we do to fight the imbalance of payments and the whole thing we have been talking about here. And after commending this outfit for all the wonderful work they do at a cost of only $12 million, I notice that it's due for extinction.

Secretary BALDRIGE. I must have been overruled by OMB.

Senator RUDMAN. All right. Well, I am going to suggest that you talk to OMB and maybe to Cap Weinberger, maybe we can take one-half a coat of paint from the bottom half of the MX missile and only put one coat on that and we can probably keep USTTA. Which I expect we will.

SEQUESTRATION

The sequestration reduced the funds available to Commerce by $101.9 million in fiscal year 1986. I guess our understanding is that no one may use their reprogramming to shift funds out of fisheries research and development to initiate new programs, such as the satellite programs specifically denied by the Congress in 1986. Is that true?

Secretary BALDRIGE. No, sir.

Senator RUDMAN. That's not true. All right.

Well, we are going to have a separate hearing on NOAA so we will get into that.

Does your budget request assume that the savings from the GRH sequestration in 1986 are continued next year or the cuts restored in 1987?

Mr. BROWN. They are restored as part of the overall plan of the President's budget to hit the $144 billion target.

Senator RUDMAN. But maybe a possibly different mix is what you are saying.

Mr. BROWN. Yes. Our budget is part of that mix to hit the $144 billion target.

Senator RUDMAN. I am going to reserve my questions on Polar Orbiting Weather Satellites for our hearing, because that is a very important issue due to the loss of *Challenger* and some other things.

I found it interesting to hear yesterday that NASA is now considering expendable launch vehicles and a number of things which does not surprise anyone under the circumstances.

TRADE ADJUSTMENT ASSISTANCE

Statutory authority for the Trade Adjustment Assistance Program expired in December 1985, but we appropriated $18.5 million. The General Counsel maintains that you have no authority to obligate these funds, therefore the Department is terminating grants for trade adjustment assistance centers.

The question is this, Mr. Secretary, if a bill to extend the statutory authorization for trade adjustment assistance is reported from the Finance Committee and successfully enacted, would you release the funds already appropriated?

Secretary BALDRIGE. Yes. We would. I don't see any problem.

Mr. BROWN. Our problem is authorization.

Senator RUDMAN. We understand. We may not agree with that because the appropriations bill was the last bill that passed. We do a lot of legislation on appropriation bills. For instance, if we didn't, there would have been no foreign aid package last year.

Mr. BROWN. But there's been an opportunity for the House to meet on this issue——

Senator RUDMAN. We understand.

Mr. BROWN. And we notified them in December that they had failed to authorize and they haven't done it. They have met and haven't——

Senator Rudman. Well, we understand that. But I can give you chapter and verse of a whole number of things that have not been authorized.

Mr. Brown. But our position is that if we spend the money illegally, because it is not authorized——

Senator Rudman. Oh, we are not saying—we do not agree with you that it is illegal. But that's a whole other issue.

SUBMITTED QUESTIONS

I have about two or three other questions but they are generally detailed, require some number answers, so we will ask you to supply those for the record. We thank you very much for being with us today. We particularly enjoy your candor. It is refreshing. And we will let you go on to whatever's next.

Secretary Baldrige. Thank you, Senator.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR RUDMAN

National Oceanic and Atmospheric Administration

QUESTION:

Mr. Secretary, the Congress has included funds for each of the past five fiscal years to maintain two polar orbiting weather satellites even though the Administration has proposed to eliminate one of them. As I understand it, delays in issuing a Request For Proposal, or RFP, to build three additional satellites could result in a de facto one satellite system in 1990 and 1991, or even the loss of all polar orbiting weather satellite coverage for a period of time. That would leave us with the two geostationary weather satellites, but would significantly degrade our ability to make long-term weather predictions. I realize the loss of the Challenger Space Shuttle has complicated future satellite launch schedules. However, weather satellite coverage is a public safety function, and NOAA should be moving immediately to either get a confirmation from NASA as to Shuttle availability or to decide to launch on Air Force rockets.

Given that further delay will only increase the potential loss of weather satellite coverage, when can we expect a decision from NOAA and the Commerce Department to proceed with contracting and procurement of these three satellites?

ANSWER:

NOAA has started procurement of instruments for the next three satellites, NOAA K,L,M.

If we give NASA a go-ahead on the NOAA K,L,M spacecraft procurement by April 1986, the NOAA K spacecraft would be ready for launch by September 1991 (65 months from go-ahead). This allows us to meet the September 1991 scheduled launch date currently required under a one polar system.

Further delays in starting the NOAA K,L,M procurement would result in a day to day slip in spacecraft availability. DOC is making every effort to resolve the launch and procurement issues for these spacecraft.

General Administration

QUESTION:

The Department is requesting $1.5 million to acquire the hardware and software required for an integrated Financial and Management Information System (FMIS). What will be the total acquisition and operating costs of the current system?

ANSWER:

Acquisition costs for the new system during the next three years will be $9.2 million. The remaining $600 thousand in acquisition costs is scheduled for FY 1990.

Operating costs for the new system during the next three years will be $6.4 million. The system will be phased in during this time. The old system will be phased out and its total operating costs will be $21 million during the next three years.

The Department is requesting an increase of $1.5 million in FY 87 to purchase hardware and software. The base includes $4 million for the FMIS system. Savings from operating costs will be used to offset acquisition costs.

When fully implemented, operating costs for the new centralized FMIS are expected to level off at $5 million per year in FY 1991. This is half the cost of operating the current systems. At that point, savings of $5 million per year are generated by the FMIS.

QUESTION:

The Department is requesting an additional 17 positions and $744,000 for legal services in the Working Capital Fund. Are the funds to be transferred from the International Trade Administration?

ANSWER:

Yes. The anticipated budget of $744,000 will be recovered through normal billings in the Working Capital Fund.

The increase of seventeen positions and $744,000 reflects a program increase for legal support for ITA. Specifically, nine positions and $374,000 will be used for increased support for Import Administration to carry out its statutory mandate under antidumping/countervailing duty, Foreign Trade Zone, steel quota agreements, and Statutory Import Programs laws. The remaining eight positions and $370,000 will be needed for increased legal support for ITA in their effort to implement the provisions of the Export Administration Act of 1985.

QUESTION:

The number of permanent positions allocated to the Working Capital Fund has risen from 717 in 1985 to an estimated 792 in 1987. What are the reasons for this increase?

ANSWER:

The 1985 base was 728 permanent positions, of which 11 were unfilled at the end of the fiscal year. The increase from 728 to 792 is a net figure reflecting increases and decreases in specific activities and the transfer of positions from other accounts. The data below indicate the change in permanent positions beginning with FY 1986.

FY 1986

Transfers:

From: "Advances and reimbursements",
General Administration +31

The legal function was originally established in the Advances and Reimbursements (A&R) account to enable the General Counsel to more efficiently service the various bureaus on an individual requirements level. Over time, the legal functions funded by A&R have become indistinguishable from those in the WCF. Therefore, the A&R function was merged with the WCF in order to operate more efficiently and to clarify billing procedures.

From: "Salaries and expenses", Economic
Development Administration + 4

The transfer of four positions from the Economic Development Administration has been made in a continuing effort to consolidate administrative functions specifically in this case for Personnel Operations throughout the Department.

From: "Salaries and expenses", Patent
and Trademark Office + 1

From: "Scientific and technical research
and Services", National Bureau of
Standards + 4

The transfer of one position from the Patent and Trademark Office and the four positions from the National Bureau of Standards has been made in a continuing effort to consolidate the purchase order system within the Management Service Center.

Other Increase:

Legal Services + 7

The increase of seven positions reflects an increase for General Counsel support primarily for the International Trade Administration (ITA).

FY 1986 Summary

Total FY 1986 Budget revised, composed of
an increase of 7 FTE and a transfer of 40 FTE 775

FY 1987 Adjustments-to-base and built-in changes

Transfers:

From: "Salaries and expenses, "Economic
Development Administration +10

The increase of ten positions reflects the transfer of the Litigation and Liquidation function from the Economic Development Administration to the Office of General Counsel. This move enables the Department to use more efficiently its available personnel resources, assures consistent Department positions on litigation matters, and enhances legal services by developing a core of expertise under the direct supervision of the General Counsel.

Other Increases:

Legal Services	+17

The increase of seventeen positions reflects a program increase for legal support for ITA. Specifically, nine positions will be used for increased support for Import Administration to carry out its statutory mandate under antidumping/countervailing duty, Foreign Trade Zone, steel quota agreements, and statutory Import Programs laws. In addition, eight positions will be needed for increased legal support for ITA in their effort to implement the provisions of the Export Administration Act of 1985.

Decreases:

Management Savings	-10

Management savings of ten positions and $300,000 result from administrative cost reductions and a proposal to contract out certain administrative functions.

FY 1987 Summary

Total FY 1987 Requirements includes a net increase of 7 FTE plus the transfer of 10 FTE	792

Economic Development Administration

QUESTION:

The Department is deferring $40,000,000 in EDA funds pending a reapportionment. If the Congress has not acted to overturn this deferral by the beginning of the fourth quarter of FY 1987, will the Department act to release these funds for obligation to avoid an illegal impoundment?

ANSWER:

The Department intends to comply with the Budget and Impoundment Control Act. EDA is processing applications normally up to the point of obligation.

Bureau of the Census

QUESTION:

In the Census Bureau, you are proposing an increase of $89.7 million over the Gramm-Rudman-Hollings sequestration level. Almost half of the increase, $41.9 million, is for data processing equipment. Is this increase associated with the 1990 decennial census?

ANSWER:

Yes, most of it is, but the increase also includes such major items as the acquisition of a large-scale computer mainframe and the replacement of existing data entry equipment.

About $27 million of the overall increase is decennial related. It supports two major programs: (1) the geographic support system equipment for the storage, maintenance, and updating of the Nation's geography into machine readable form; and (2) the decennial data capture equipment designed to support the most effective data collection methodology for the 1990 Decennial Census.

The acquisition of the computer mainframe is in direct response to fulfilling ever-growing work load demands. This system, along with substantial mass storage increases, will provide additional capacity needed to meet our survey and census production requirements.

The data entry equipment replaces hardware systems that are totally deficient with respect to overall capacity, technical capability, and service support.

QUESTION:

What will the 1990 census eventually cost? How much of that will be for data processing and related equipment?

ANSWER:

Our current cost estimate for the 1990 Decennial Census is $1.8 billion, not including the cost of any future Federal pay increases. This estimate does not include any estimate for data processing equipment. The overall cost of decennial-related equipment is about $115 million. That equipment is included in the Data Processing Systems Activity.

International Trade Administration

QUESTION:

In the recent District Court decision, Horizons' International vs. Baldrige, Judge Katz cancelled the antitrust certificate for the export trading company, Chlor/Alkali Producers International, and directed a reopening of the investigation for the granting of this certificate. What is the current status of this investigation? What changes in Commerce's review procedures for the granting of antitrust certificates are anticipated as a result of this current decision?

ANSWER:

The January 3, 1986 Order entered by the U.S. District Court denied the Motion for Summary Judgment filed by the Departments of Commerce and Justice; vacated the certificate of review previously issued to Chlor/Alkali Producers International; and, remanded the matter to the Departments for consideration of questions which the Court believes are relevant to proper issuance of the certificate.

Commerce has requested the Solicitor General to appeal the District Court's decision to the Third Circuit Court of Appeals. On March 4, 1986, the Departments filed a Protective Notice of Appeal as a means of preserving the Departments' right to appeal pending a final decision by the Solicitor General.

We believe that the procedures employed in processing Chlor/Alkali's application and in issuing the certificate were appropriate and correct. We do not anticipate making any changes in those procedures.

QUESTION:

On page ITA-19, reference is made to a new type of product for trade development called "export development plans." What are these plans and how do they differ from previous efforts to promote exports? Please provide descriptions of ongoing and future export development plans.

ANSWER:

An Export Development Plan (EDP) is a program for cooperation and interaction between the U.S. Department of Commerce's Trade Development industry specialists and specific industries to enhance their exporting of products and services to foreign countries. The primary objective of Trade Development's Export Development Plans is for industries to assume an active role in the promotion of exporting. It is intended that, once substantial contacts are made, the industry will take the lead responsibility in continued exporting and the Department will provide assistance when necessary.

Each Plan describes: (1) private sector promotion initiatives to penetrate and expand markets; (2) Department of Commerce export promotion activities in support of the private sector; and (3) joint projects designed to energize companies within specific industries to participate more fully in exporting. Success in developing an active, aggressive export promotion effort requires that the Trade Development industry officers interact with industries in the areas of (a) domestic promotion and export education activities; (b) market research, marketing information and publications; and (c) overseas promotional events. It is the purpose of the EDP's to coordinate the above aspects of trade promotion with industries in their sector to assist them in their efforts to become successful and self-subsistent exporters.

These plans mark a considerable change from previous export promotion efforts, in that they reflect a new concept of export promotion based on the industry-specific expertise of the industry specialists in Trade Development. Through the standard format of the EDP's, the trade specialists are able to work more effectively with industries to assist and encourage them in their export initiatives. They establish a formal working structure for interaction and communication between the industry officer and industries, industry associations, and export councils within each industry sector. The EDP's are "plans of action," describing the necessary interaction between the Government and the private sector to best assist the private sector in its efforts to export more and do it more effectively.

Based on a successful pilot program in FY 1985, 11 EDP's have been completed for FY 1986, representing over 40 percent of the 80-plus product and service sectors determined to be export-promotable:

CAACG	Automotive Parts and Accessories Sporting Goods and Recreation Equipment
BI	Building Products
CGIC	Renewable Energy Equipment Food Processing and Packaging Equipment Mining and Extracting Equipment Pulp and Paper Machinery Water Resources Equipment
S&E	Electronics Industry Production and Test Equipment Electronic Components
SERV	Computer Services (Data Processing)

The above plans are monitored closely by the responsible Trade Development industry officer. Each respective officer monitors the effectiveness of the EDP, the degree of industry involvement, and the magnitude of Association International Committee or Export Council participation, reporting monthly through the DAS to the Assistant Secretary of Trade Development.

For FY 1987, Trade Development industry sectors have scheduled 18 additional EDP's:

AACG	Audio-Visual Equipment Books and Periodicals Processed Foods Housewares Hotel and Restaurant Equipment Lawn and Garden Equipment
AERO	(one EDP for entire sector)
BI	Biotechnology
CGIC	Air-Conditioning and Refrigeration Equipment Engineering, Construction and Architectural Services Electric Power Generation and Distribution Equipment Metalworking Equipment Oil and Gas Field Machinery Printing and Graphic Arts Equipment
S&E	Medical Instruments Equipment Telecommunications
SERV	Aviation Services Insurance
T&A	Apparel, Textile Fabrics, Made-up Textiles, Yarns (one EDP for entire sector)

QUESTION:

What is your stance on the Grace Commission proposal to eliminate Commerce's district offices and to rely on a headquarters organization which would target and counsel higher-export-potential firms via electronic means from Washington?

ANSWER:

We agree with portions of the recommendation which include improved targeting of U.S. and Foreign Commercial Services (US&FCS) personnel resources toward growth markets and industries, and developing an improved industrial sector analysis capability. However, our evaluation is that (1) several assumptions used to develop the recommendation to reorganize and redirect the US&FCS, Trade Development and International Economic Policy are invalid, (2) attempts to implement the recommendation would encounter overwhelming political opposition, (3) the impact of implementing the recommendation is the loss of exports valued in excess of $1 billion, and (4) that the policy inherent in the proposed reorganization and redirection is inconsistent with the Departmental goal of expanding the total U.S. export base by focusing on supporting the trade efforts of small and medium-size businesses.

QUESTION:

To what extent will the growth of export trading companies reduce the need for Commerce's District Offices' services?

ANSWER:

The growth of export trading companies will not have a measurable effect on the need for Commerce's District Offices' services.

The District Offices neither engage in export trade transactions nor provide such trade facilitation services as freight forwarding, warehousing, trade documentation, transportation, and trade finance. These are functions performed by export trading companies and export management companies.

The District Offices promote and encourage export trade; inform U.S. firms of trade opportunities; and provide valuable information about foreign markets.

The functions of ETC's and the District Offices are complementary, not duplicative.

QUESTION:

Why hasn't a pilot project initiated in 1985 with the State of Oklahoma that involves shared office space and equipment been extended to other states? Couldn't this be used as a means of reducing Commerce's operating costs as well as better coordinating Federal and State efforts?

ANSWER:

The US&FCS agreement with the State of Oklahoma is distinctive in that State resources, including personnel, space and equipment are placed at the full disposal of the Oklahoma City District Office. Other states, while agreeing to various general, cooperative arrangements, have not been willing to commit specific budget and personnel resources on a permanent arrangement.

QUESTION:

On page ITA-36, it is projected that the number of current annual reviews of AD/CVD orders completed will decline from 250 in 1986 to 200 in 1987. Is this consistent with the projected increases in the number of existing orders? (229 in 1986 to 259 in 1987 per page ITA-43)

ANSWER:

We anticipate an increase in orders from 229 in 1986 to 259 in 1987. However, this increase will be offset by our gradual reduction of the backlog of reviews. While we have a backlog of reviews we will be processing more than one review for some orders. Our goal is to eliminate the backlog of reviews by June 1988. As we eliminate more of the backlog, the number of annual reviews in process will decline.

QUESTION:

a) What problems arose with the AIT System that led to the decision to abandon it and develop a new system? b) You are now developing what is your third information system within a few years. What measures have you taken to assure that past problems will not be repeated, and this system will become open?

ANSWER:

Since 1978, ITA has recognized the need for providing a timely and accurate flow of commercial information between our commercial offices overseas, headquarters and domestic district offices. The initial attempt to do this was called the Worldwide Information Trade System (WITS). This approach proved too costly and ambitious, particularly given the newness of automation to ITA. Briefly, this system was intended to be completely open with direct on-line access by U.S. business users. In light of concern by the U.S. information industry and the need to "walk before we run", we developed the AIT system (AITS). A much simpler system, AITS was designed to provide all overseas and domestic field offices with their own local data bases and word processing capabilities without a centralized data base in Washington or telecommunications capability between offices. AITS proved to be a worthwhile starting point and the applications developed through AITS, such as client files and statistical analyses of overseas post best prospects data, will be maintained as we progress into the more sophisticated Commercial Information Management System (CIMS).

ITA's automation goal continues to be the electronic flow of commercial information. CIMS is a realistic, achievable approach to automation that reflects the concerns of industry about an open system and the technological limitations associated with developing an extensive telecommunications network crossing national borders.

Designed as a closed system in direct response to the concerns of the U.S. information industry, the CIMS design does allow ITA the option of allowing access by States to selected applications, such as Trade Opportunities.

CIMS will automate the preparation, transmission, organization and dissemination of trade information such as overseas market research and trade statistics, background data on foreign firms in the form of World Traders Data Reports, and specific purchase requirements of private foreign firms and of foreign governments as transmitted through the Trade Opportunities Program. By improving user access to, and the timeliness of, export information and providing field units with the capability for custom-tailoring export information to specific user requirements, CIMS will significantly improve US&FCS's ability to respond to the export information needs of the U.S. business community, other ITA units, state trade promotion organizations and private sector organizations.

Implementation of CIMS is proceeding quickly and smoothly. All hardware has been purchased and completion of software development should occur by the end of this calendar year. To prepare for CIMS, posts will transmit to Washington much of their commercial information this year in diskette or other electronic form for direct loading into the central computer facility. In Washington we will abstract much of this information into pre-packaged modules to facilitate user access. In addition, trade contact services such as Trade Opportunities, Foreign Traders Index will be available electronically.

QUESTION:

Several years ago, in response to a recommendation by the General Accounting Office (GAO), Commerce indicated that it would phase out the preparation of World Traders Data Reports in those countries where suitable alternative services were available from private sector firms. What progress has been made in implementing this phase-out?

ANSWER:

Pursuant to the GAO recommendation in 1983, a decision was made to selectively terminate the World Traders Data Report (WTDR) service at more than 30 posts. When the intent to terminate was announced, extensive comments and criticisms were received from Congress, District Export Councils, senior State officials and firms in the private sector, providing convincing arguments that it was not in the interests of the export community to privatize this service. The overwhelming consensus expressed was that WTDRs should be continued in countries where credit reports can be obtained from private sources; such reports can complement the WTDR but are not a satisfactory replacement.

The termination policy was reviewed again in 1984 by US&FCS management. Posts were surveyed for comments as a part of the review. Only one of 40 posts was of the opinion that WTDRs should be phased out. Many posts pointed to tangible benefits that result from the preparation of WTDRs, including better and more up-to-date information on foreign firms and the identification of suitable contacts for U.S. business representation that might otherwise be overlooked.

US&FCS supports the concept of privatization, when this approach is practical and responsive to the needs of the export community. Based on the overwhelming comments attesting to the need and value of the WTDR in its present form from those who provide and use the service, there is clearly a benefit to U.S. exporters in continuing the service at most locations.

Over the last few years, a number of efficiencies have been realized which have simplified post reporting of WTDRs and the conversion of WTDR information to other trade promotional uses through automation. We continue to monitor this program to identify instances where privatization can be cost-effective without compromising the information needs of U.S. exporters.

QUESTION:

Reference is made on page ITA-45 to "reserve appointments" for senior executives from the private and public sectors.
Are all of these appointments in the Foreign Commercial Service? At overseas locations?

ANSWER:

Yes, all of these appointments are in the Foreign Commercial Service at overseas locations.

QUESTION:

What impact have these appointments had on the morale of the regular career officers? On the promotion opportunities for career officers?

ANSWER:

In general, limited appointments have a negative impact on morale. However, at its inception the US&FCS was seriously understaffed at all levels. Management attempted to recruit top talent from the private sector to meet staffing needs - and to bring instant credibility to the US&FCS. To a large extent they were successful, and many of the original limited appointees have since converted to career or career-candidate status. Usage of limited appointments is declining at all levels.

QUESTION:

Please provide details on the number and locations of these reserve appointees and career officers.

ANSWER:

There are three limited appointees with minister-counselor (FE-MC) rank. They are located in Tokyo, London, and Brussels. The London limited appointment is a career Senior Executive Service employee with reemployment rights. There is one career officer at this level (FE-MC) located in Rome, and another career officer located in Bonn has just been recommended for promotion to the same rank. One career officer served as Deputy Assistant Secretary for Textiles and Apparel. He was recommended for promotion to FE-MC, but subsequently retired.

There is one limited appointee located in Paris with the rank of Counselor (FE-OC). His appointment expires in July 1986 and a career officer will fill the position at that time. There are currently ten career officers with the rank of counselor, and three more have just been recommended for promotion to the same rank. They are located in Ottawa; The Hague; Madrid; Bern; Caracas; Tokyo; London; Washington (four officers); Austin, Texas; and Denver, Colorado. It should be noted that four career Senior Foreign Service offices were ineligible for promotion.

QUESTION:

On page ITA-49, it is stated that Commerce's overseas posts work closely "with other agencies in the U.S. missions overseas (such as the U.S. Department of Agriculture) having an interest in export promotion." Specifically, what joint export promotion activities have your overseas posts undertaken with Agriculture in the past year? Considering Agriculture's extensive experience in promoting agricultural exports, what complementary assistance can your overseas posts provide?

ANSWER:

The marketing responsibilities of the United States and Foreign Commercial Service (US&FCS) and the Foreign Agricultural Service (FAS) are quite distinct. But there are areas where our interests complement each other and where we work together. For example, a U.S. business executive may call on the Senior Commercial Officer (SCO) in an overseas post requesting assistance in the marketing of agricultural machinery. The SCO will seek the assistance of the Agriculture Counselor to identify and assist in making appointments with end-users of agriculture machinery. The FAS also assists us in making appointments with appropriate ministries and agencies involved in agriculture when this can help American suppliers of agricultural machinery, chemicals, and services. FAS has worked with US&FCS in helping American executives establish fast food franchising operations in overseas markets.

The US&FCS and FAS have cooperated in participation in overseas events. For example, U.S. Department of Agriculture (USDA) had a pavilion in the International Food Exhibition, Tokyo, Japan, March 11-15, 1985, and in the Australian International Food Exhibition in Melbourn, Australia, October 20-23, 1984. USDA frequently provided space in its pavilions for U.S. Department of Commerce (USDOC) sponsored seafood exhibitions. The US&FCS also had a seafood display at the FAS pavilion in ANUGA, a major international show for the food and catering industries. The US&FCS sponsored CBI Exhibitions in September of 1985 in Madrid, London, and Cologne to provide Carribean Basin Initiative (CBI) countries an opportunity to exhibit their products. A number of those exhibitors were showing agricultural products, and the FAS assisted by identifying trade leads, major multipliers, and contacts for mailing of invitations to these events.

US&FCS has a consumer oriented program in which U.S. suppliers are brought to meet the buyers of major department stores and retail outlets. This coming fall, USDOC in cooperation with USDA, will take a group of American suppliers of gourmet foods to meet buyers in major department stores and retail outlets in Amsterdam, Stockholm, and Zurich.

Our Commercial Officers in the course of uncovering trade opportunity leads, i.e. domestic end-users seeking American suppliers of specific products, may identify trade leads dealing with agriculture products. In those cases the trade leads are passed to FAS.

QUESTION:

According to the figures on ITA-33 1,321 pre-license checks and 48 post-shipment checks were completed in 1985.

--Why were so few post-shipment checks completed in relation to pre-license checks?

--Are there any COCOM governments which prohibit post-shipment checks by U.S. authorities?

--Are there any other "free world" governments which prohibit post-shipment checks by U.S. authorities?

ANSWER:

In the past few years, we have greatly expanded our use of export transaction checks as an important component of our overall preventive enforcement strategy. From FY 1984 to FY 1985, the number of pre-license checks alone increased from 765 to 1,321. Adverse information derived from pre-license checks resulted in the denial in FY 1985 of export license applications valued at almost $527 million.

As a practical matter, if we do a greater number of thorough pre-license checks, fewer post-shipment checks should be necessary. In most cases, once the bona fides of the transaction has been established on a pre-license basis, the likelihood of diversion is reduced. We recognize, however, that post-shipment checks do serve an important deterrent function because they put the business community on alert that their shipments are subject to verification. The checks are done on selected transactions to see whether the recipient of products previously exported under license is, in fact, conforming to the conditions of the export license. Accordingly, we are expanding our use of this preventive enforcement tool as our resources allow, and have already conducted 75 post-shipment checks to date in FY 1986, as compared with the 48 we did in all of FY 1985.

In a few COCOM countries, the United States conducts post-shipment checks through, or in close cooperation with, host government officials rather than on its own. In no case, have we been prevented from initiating such an inquiry through local authorities.

In virtually all of the non-COCOM "free world" countries which are significant for export control purposes, we can do post-shipment checks. The notable exception is Switzerland. However, our experience has been that the Swiss authorities will take seriously and inquire into any indication that products imported under a "Swiss Blue" import certificate have been reexported without authorization.

QUESTION:

The following sentence appears on page ITA-30. "The implementation of the Militarily Critical Technologies List will result in an increased number of West-West license applications being denied."

--What is the basis for those conclusions?

--Is the Military Critical Technologies List likely to be implemented in FY 1987?

-- Does the above statement mean that Commerce, in the absence of implementation, is currently making inappropriate licensing decisions?

ANSWER:

Since virtually all technical data transfers to the Bloc require a license, the only possible utility of the Militarily Critical Technologies List (MCTL) is toward West/West technology transfers. Although the possibility of West/West licensing of technologies was under consideration in the Department of Commerce at one time, we recognized in December 1984 that the MCTL was far too extensive for such application. At that time, the Department decided that any technology controls should be multilaterally-agreed (at COCOM) and requested that DOD identify a "thin upper crust" from the MCTL which they would be prepared to justify for (unilateral) West/West licensing. Although this list has not yet been delivered to the Commerce Department, it can be anticipated that there will be such a list, and that some of these license applications will be denied.

The major part of the MCTL was implemented in the last International List Review. That is, keystone materials, keystone equipment, etc., were incorporated into the U.S. proposals and were considered at COCOM. A small start will be made on the control of militarily critical technical data (arrays of know-how) during this years List Review, scheduled to begin September 1986. As only one quarter of the International List is reviewed each year, the process of submitting the remaining proposals to COCOM will take place over the next 3 to 4 years. A few proposals have already been submitted to COCOM and, being agreed to, have been included in our Export Administration Regulations (EAR). For instance, metal-working manufacturing processes, superalloys, autoclaves, spherical metal powders and other controls have been agreed to at COCOM and included in our Export Administration Regulations as requiring West/West licenses.

Commerce is not making inappropriate licensing decisions. The Department of Defense has not clearly gone on record with a list of specific technologies which they feel require West/West licensing. The Commerce Department has insisted effective controls on technology must be accompanied with concurrent multilateral controls.

QUESTION:

A January 1985 Presidential Directive gave the Defense Department responsibility to review selected export license applications to certain Free World destinations.

-- Do you think Defense's reviews have improved the quality of the government's licensing decisions?

-- Should the President give Defense added responsibility to review export license applications to COCOM destinations?

-- Are unnecessary expenditures being incurred in having both the Defense Department and Commerce review the same license applications?

ANSWER:

The Defense Department review of certain Free World licenses underscores the President's commitment to balancing the benefits of increased exports against the risk that militarily critical technologies might reach Soviet hands. Given the fact that, in many of these cases, the intelligence community has indicated that these Free World destinations are targets for diversion to the Soviet Union, the President currently believes that DOD review provides an added element of security while preserving the opportunity for exporters to enter new markets and expand within existing ones. The Administration intends to review this arrangement in the near future and report to Congress on its conclusion.

There is no inherent need for an expansion of DOD review to COCOM destinations. Increased diplomatic efforts to induce our COCOM allies to improve their own enforcement regimes are on-going.

It is clear from the President's commitment to enhance both national security and the economic security of our exporting community that, at present, unnecessary expenditures are not being incurred in having both the Defense Department and Commerce review the same license applications.

Minority Business Development Agency

QUESTION:

What savings would occur if the Minority Business Development Agency (MBDA) were to close its regional and district offices and choose to rely on business development center contracts in 1987?

ANSWER:

The regional and district offices of the Minority Business Development Agency (MBDA) provide support for entrepreneurial opportunities at the local level and are responsible for solicting, evaluating, and ranking proposals and recommending recipients for awards to assist the minority business community. Once awards are made, our field offices monitor and evaluate the performance of funded organizations. MBDA field offices also serve to coordinate outreach activities, involved in business networking operations, promote advocacy opportunities, and direct support for the Presidential initiative of "Minority Enterprise Development" week activities.

Total projected costs of field operations in 1987 is $5,560,000. If field offices were closed, personnel would be transferred to headquarters to continue the above activities. Operating the current field program from headquarters increases costs of such items as rent, telephone, postage, and FTS costs to the extent that even with a small reduction in administrative personnel, no savings would be achieved.

United States Travel and Tourism Administration

QUESTION:

Please provide a breakdown of the nine regional offices of the USTTA, including the positions and budget for each office.

ANSWER:

FY 1986

		(Dollars in thousands)	
Regional Offices	Positions	Appro. Amount	Under Gramm-Rudman
Canada	7	$1,308	$1,218
Mexico	7	814	764
United Kingdom	7	1,062	1,011
France	7	837	827
Germany	7	1,398	1,388
Japan	7	1,044	962
Australia	2	468	448
Italy	2	300	278
Netherlands	2	300	273
International Congress Office	3	188	184
	51	7,719	7,353
State Department Admin. Support		400	400
		8,119	7,753

Note: Offices in Australia, Italy, and the Netherlands were newly opened in late FY 1985. For that reason the FY 1986 budget reflects the fact that these offices are still in the process of establishing permanent quarters.

The regional office allocations under the current Gramm-Rudman-Hollings reductions are subject to change as currency rates of the countries fluctuate.

FY 1987

Of the $4,023,000 proposed for the phase-out of USTTA, $3,600,000 is for International tourism development which includes regional offices, State Department charges, Offices of the Assistant Secretary for Tourism Marketing, and Policy and Research. $423,000 is for Executive direction which includes the Offices of the Under Secretary, Management and Administration and overhead charges. It is estimated that approximately $3,200,000 would be needed to close all regional offices and the remainder of the $3,600,000 would be the approximate amount needed to pay necessary termination costs for support staff to the regional offices. The exact close out costs for each regional office in FY 1987 cannot be accurately established, at this time. This is due to the complexity of R.I.F. procedures, severance pay variances between individual USTTA staff, foreign currency fluctuations, relocation costs for displaced staff, contract close out or transfer requirements, country customs and laws effecting foreign national personnel and local contracts.

Patent and Trademark Office

Reauthorization

QUESTION:

Although the reauthorization for the Patent and Trademark Office has not been passed, the Committee approved the 1986 Budget with the understanding that patent processing fees charged to independent inventors, small businesses, and nonprofit institutions would be reduced by 50 percent.
--Is that being done? Do you intend to continue this policy in 1987?

ANSWER:

We are continuing to follow in Public Law 97-247 to charge independent inventors, small businesses and non-profit organizations 50 percent of the section 41(a) & (b) fees. Although the authorization contained in Public Law 97-247 has expired, the Office of the General Counsel of the Department of Commerce has given us a legal opinion that authority to continue the subsidy can be found in the acts appropriating funds for PTO for FY 1986, i.e., Public Law 99-180. Moreover, we believe this policy reflects the intent of Congress as evidenced in both the version of H.R. 2434 passed by the House and favorably reported by the Senate Committee on the

Judiciary. The amounts provided for in these appropriations acts are based upon the budget estimates submitted to Congress in support of the requested levels of funding. In its submission to Congress, PTO took into account the reduction by fifty percent of the patent processing and maintenance fees to qualifying entities.

In this regard, the Comptroller General has stated:

> [W]here there has been included in budget estimates an amount to be expended for a specific purpose, and such amount subsequently is appropriated by Congress ... the accounting officers of the Government generally have recognized the availability of the appropriation for such purpose, even though no express provision therefor is made.

28 Comp. Gen. 545, 547 (1946).

We are working with both bodies of Congress to obtain enactment of an authorization measure for the PTO and hopefully this will occur very quickly so that we will have a specific authorization for continuing the subsidy in FY 1987.

Automation

QUESTION:

Specify how automating the patent process by 1990 will reduce patent pendency and improve patent quality. (See page PTO-19 of budget estimates.)

a. Is automation by 1990 a goal or a method of attaining the pendency and quality goals?

b. How has automation to date contributed to the pendency and quality improvements?

ANSWER:

Except for the long-range, potentially small time savings that could result from the electronic file wrapper and photocomposition subsystems, automating the patent process by 1990 will not reduce the patent pendency period. The principal objective of automation will improve the integrity and quality of the search files by eliminating the problems of missing, misfiled and late documents. Corollary improvements are to incorporate all appropriate foreign patents on a timely, systematic, usable basis and to provide supplementary search tools - indexes and techniques - to improve search effectiveness and efficiency. Improvements will result in more thorough searches and examinations and thereby contribute to higher quality patent grants.

a. Automating the patent examining process will not reduce patent pendency, but will help to attain the goal of improved patent quality as defined above. The development and deployment of these automated systems has been established as one of the highest priority goals of the USPTO and one of the major goals of the Secretary of Commerce. The automation goal compliments the goal of improved patent quality.

b. Automating the patent examining process will not reduce patent pendency. At this time automation of the Patent Process is approaching the testbed phase in Patent Examining Group 220, which is scheduled to begin on July 1. Quality improvements will not be noticeable until after deployment to the remaining examining groups.

QUESTION:

What quantifiable measures of quality is PTO using and/or tracking to ensure that automation is improving patent quality? (See PTO-23)

ANSWER:

The impact of automation on patent quality is part of an overall effort to test and evaluate system components individually and as a whole. The Office has prepared a draft "Master Test and Evaluation Plan" which covers all implementations and capabilities which will ultimately be deployed. It focuses on those capabilities, e.g., text and classified image searching, which will be deployed first. In March 1986, this draft plan was given to the Department of Commerce, the Institute of Computer Sciences and Technology of the National Bureau of Standards, and to users of the patent system such as the American Intellectual Property Law Association (AIPLA) Subcommittee on the Group 220 Test Evaluation. This subcommittee was formed from their Information Retrieval Committee. The PTO will work closely with this subcommittee in planning the APS test and evaluation process.

QUESTION:

Is Automation of Trademark processes by 1990 a goal or a method of attaining other goals? (See PTO-29)

ANSWER:

The development and deployment of these automated systems has been established as one of the highest priority goals of the USPTO and one of the major goals of the Secretary of Commerce. The automation goal compliments the goal of improved trademark quality.

QUESTION:

Regarding PTO's plans "...to improve the quality of examination through increased funds for making corrections to the trademark data base..." (see PTO-31, 33), how did these errors get into the trademark data base?

a. Were any trademark data base errors introduced during the data capture efforts of the data base exchange agreement partners? How many?

b. Who is incurring the cost of corrections?

c. What quality control procedures were followed?

d. How have the values of the exchanges been adjusted to account for any additional costs to PTO for correcting errors introduced by exchange agreement partners?

ANSWER:

The increased funds for making corrections to the trademark data base relate to text editing requirements necessitated during the normal processing of new trademark applications during the examination process. Generally, the corrections made during this process are due to amendments made to data in the application by the applicant. Occasionally, errors may be keyed into the data base when the data is initially captured from the new application but this is rare.

a. The data base exchange partners have been involved with three different phases of the data capture effort in Trademarks. CompuMark (CM) was responsible for the capture of text data pertaining to trademarks registered prior to January 1, 1980, and assignment data recorded prior to January 1, 1985. No assignment data has been delivered to the PTO as of this date and no error analysis has been done on that data. There were errors in the registration data delivered to the PTO and the PTO and CM have engaged in a joint clean-up effort of eight specified fields to improve the quality of the records keyed. PTO and CM each verified one-half of the records keyed by CM, and any field found to be in error was corrected. At the present time, the quality of any given field in these records ranges from approximately 42% correct to 100% correct according to a recent study released by the Office of Automation with most fields considered critical to conducting a high quality search of the records at approximately 99% correct.

Thomson and Thomson (T&T) was responsible for capture of image data associated with approximately 40% of registered trademarks. Many of the "errors" associated with digitized image data do not have to do with the quality of the image, but with inaccurate indexing of image data records to the application/registration record serial or registration number. Other problems were encountered when the PTO delivered cancelled registration information to T&T, and their subcontractor did not realize that they were not to capture information from certificates which were stamped cancelled. These errors are currently being resolved in a joint effort between T&T and the PTO.

Thomson and Thomson is also responsible for capture of data from newly filed applications. This data is the subject of an ongoing quality review effort in the PTO and all indications are that the quality of this keyed data is high. Any needed corrections to this data are made during the examination process using PTO resources.

b. As stated in the previous response, some of the cost of corrections is being shared by the PTO and its exchange partners and some of the work is being done by the PTO. A project completed in the Summer of 1984 is an example of a joint clean-up effort between the PTO and CM, and the current design project is a joint effort between T&T and the PTO. The PTO is completing other clean-up efforts in-house using government personnel for verification of records and has completed some efforts utilizing computers to identify and correct logical inconsistencies in records.

c. Because of time pressures, an initial attempt to quality control the CM delivered registration data prior to loading into the PTO computers was not accomplished. No review has been done on the assignment data because the only data which has been delivered to the PTO consisted of 60-70 records to allow the PTO to check tape formats and the nature of the information being keyed by CM from the assignment records. Application data keyed by T&T is quality controlled by the Office of Automation on a random sample basis, and tapes below standard are returned to T&T for correction. Five percent of the applications are sampled. The image data digitized by T&T was quality controlled as it was loaded into PTO computers and data not meeting standards has been returned for redigitizing. The indexing problem was not discovered until after data had been loaded into PTO computers.

d. On December 6, 1985 the PTO published in the Federal Register its "Policy and Plans Regarding Exchange Agreements Entered Into by the Patent and Trademark Office to Competitive Procurement Contracts." Any adjustment of the values of the exchanges has thus become a "moot issue", as we intend to convert them all to procurement contracts.

QUESTION:

What actions has PTO taken to remove restrictions on the public use of data bases obtained by exchange agreements? Is PTO planning to remove all restrictions? What results has PTO achieved? (See PTO-33)

ANSWER:

Commissioner Donald J. Quigg stated before the Subcommittee on Government Information, Justice, and Agriculture on October 18, 1985 that:

> "To address these concerns, we are prepared to terminate the exchange agreements and have already initiated action to buy the electronic data bases through conventional procurement techniques. Policy guidance on how we are to proceed is being provided to us by the Deputy Secretary of Commerce."

We plan to dispose of these exchange agreements and to remove restrictions on public use. A plan was provided to the Senate Committee on the Judiciary in January of this year. The dates are subject to change.

Name	Planned Disposition	Date
Thomson and Thomson	Procurement	RFP-3/86
Derwent	Procurement	RFP-4/86
Mead Data Central	Procurement	RFP-3/86
Research Publications, Inc.	Terminate	9/86
Compu-Mark, U.S.	Sole Source	pending
Pergamon Infoline	Terminate	9/86

QUESTION:

When does PTO plan to discontinue its manual public search room? (See PTO-41)

a. What criteria will PTO use to judge that the manual search facility should be replaced by its automated system?

b. Will there be any public involvement in the decision to discontinue the manual search facility?

ANSWER:

The paper files will be retained until the automated system has been fully tested and evaluated and, in addition, until a public hearing has been held.

a. Once the automated system has been judged to be "equal to or better than" the manual paper system, the criteria established by the PTO will be supplied to the public and a public hearing will be held to determine when the automated system will fully replace the paper system.

b. Yes. Once the automated system has been fully tested and evaluated and found to be "equal to or better than" the paper system, a public hearing will be held to get user input to the decision as to when to discontinue the manual search facility.

QUESTION:

Does PTO plan to charge a fee for access to its automated search system? What cost will such a fee cover, if used? (See PTO-71)

ANSWER:

Section 4 of the authorization bill as passed by the House and reported by the Senate Committee on the Judiciary (H.R. 2434) precludes us from charging fees for use of the search rooms. The costs of the search rooms will come from amounts appropriated by Congress. The approach is fraught with uncertainties as to budget needs since volume of usage cannot be accurately predicted. Support by fees would provide the income to meet user needs.

QUESTION:

What is PTO currently doing to monitor its automated patent system contractors and how does PTO plan to use the 10 additional positions requested in Fiscal Year 1987? (See PTO-53)

ANSWER:

The 10 additional positions requested in FY 1987 are for Automated Patent System (APS) operations support. As stated in the revised Automation Master Plan, when APS moves to its new computer site, the PTO will contract out operation of the APS computer system. However, the PTO will provide staff to supervise the operations, support scheduling and the tape library, support production and quality control, support the APS network and site equipment and to monitor contracts.

Currently the PTO is using its resources to monitor and evaluate technical requirements, for test and evaluation, and to monitor cost. The PTO is also using contractors to monitor the APS contractors:

° Federal Simulation Center/General Service Administration (FEDSIM) will:
  - design, develop and validate a model of APS with workload data from the testbed operation, and
  - use a simulation model to predict whether the system will support performance requirements.

° Institute for Computer Science and Technology (ICST)/ National Bureau of Standards (NBS) will assist PTO in:
  - critical design reviews, and
  - test plans and
  - system performance evaluation plans.

° MITRE will assist in:
  - APS operational systems testing
  - analysis of workstation architectural alternatives,
  - data base administration,
  - APS use modeling, and
  - alternative equipment analyses

° JB Associates, IV & V (Independent Verification and Validation) will do:
  - software engineering planning,
  - testing and verification and validation,
  - software quality assurance, and
  - software configuration management.

° Future Competitive IV & V contractors will assist PTO to:
  - establish a Cost/Schedule Status Reporting (CSSR) system to report variances in the schedule and cost of the work breakdown structure of the APS's system integrator,
  - establish/execute quality assurance program for APS, and
  - establish and implement data management plan/procedures.

QUESTION:

Why did PTO decide to operate its new Automated Trademark System with in-house staff?

ANSWER:

The decision has not been made as to who will operate the system. The revised Automation Master Plan provides for contractor operations of all future systems. Specifically, the request for proposal (RFP) for the ATS will contain an option for contractor operations once the system has been developed. However, for budgeting purposes we have built in resources for in-house operations if our evaluation of the offers received should show that it is cost beneficial to operate ATS with government personnel.

Fees

QUESTION:

What would be the budgetary impact in fiscal 1986 and 1987 if PTO was not allowed to use fee funding to pay for its automation efforts? (See PTO-70-74, 77.)

ANSWER:

If PTO is prohibited from using fees to fund automation activities in 1986, 1987 and 1988, as section 5 of H.R. 2434 as passed by the House directs, the alternatives are:

For patents:

(1) Additional funds to cover the difference between the estimated automation requirements and the budget authority requested by the President could be appropriated in which event fee collections would exceed need, or

(2) If additional funds were not appropriated, non-restricted automation resources available over the next three years would be used to (1) maintain current systems and (2) continue development of a search and retrieval system, but at a much slower rate than originally planned. The extent of this development work would be contingent upon available resources after taking into consideration the cost of maintaining current systems and the contractual costs that will have to be incurred because of the slowdown and possible terminations.

For trademarks:

(1) Funds to cover both the direct and indirect costs of trademark automation could be appropriated; or

(2) If funds were not appropriated, all trademark automation programs would be terminated. While we have not developed firm estimates of the additional costs to be incurred if the trademark automation program were terminated, additional costs would likely be incurred for terminating existing contracts and implementing or retaining manual systems to replace current and planned automated systems, both of which are totally funded by user fees.

Given these alternatives, if the user fee restrictions contained in H.R. 2434 as passed by the House are enacted, the PTO would require an additional $16.4 million in budget authority in 1986 to carry out the program contained in the fiscal year 1986 budget submission. Based upon the cost estimates contained in the original Automation Master Plan (issued in 1982), over the three year fee cycle - 1986 through 1988 - the total additional budget authority required would be approximately $66 million. Based upon the cost estimates contained in the revised Automation Master Plan issued in February 1986, the total additional budget authority required would be approximately $75.4 million.

Patents

QUESTION:

How will the "18 months by 1987" (18/87) patent pendency goal impact the quality of issued patents?

a. How will PTO ensure that quality patents will still be issued given the demand to process them more quickly?

b. How will patent quality be improved, other than through the patent automation program?

ANSWER:

a. Quality has always been a high priority within the PTO and user groups. The quality of a patent is a measure of the likelihood that a court would or would not uphold the validity of the patent. A logical measure of quality is the presence of elements in the patent or its prosecution on which a court may base a decision of invalidity. During the entire pendency period reduction effort we maintained an independent 4% quality review sample of applications allowed by examiners. We have also sought and implemented new tools and techniques to maintain and improve quality. Examiner recruiting, performance ratings, and awards all rely heavily on quality-related considerations. Tools such as access to commercial data bases, examiner education, and the Manual of Patent Examining Procedure contribute to improvements in the quality of examiner searches and consistent application of standard examining procedures.

b. The major effort devoted to improving file integrity, and thereby patent quality in the long run, is the PTO's automation program.

In the interim, file integrity is being maintained through the existing reclassification program. Patent search files are reclassified by expanding the classification for new technologies and thereby subdividing the files.

Contractor personnel are responsible for expanding the files, filing new references, and refiling references that are removed from the search file during the course of patent examination. Quality control provisions encourage timely, accurate performance.

To further improve the quality element of patent examination, a comprehensive quality improvement program is operational. Major elements of this program (exclusive of automation) are:

1) Strengthen quality-related elements in performance plans and performance awards.
2) Stiffen quality standards for granting and retaining signatory authority of primary patent examiners.
3) Continue to increase the range of in-house examiner education programs and continue support for the Law School Tuition Assistance program.
4) Continue and promote the industry-funded Examiner Education Program that exposes examiners to current industrial technologies.
5) Lower pendency within the Board of Patent Appeals and Interferences and improve feedback to the Examining Corps.

6) Review and appropriate strengthening of specific potential problem areas in examining.

QUESTION:

Since the proposed budget requests 57 fewer patent examiners, how much additional overtime will be needed to achieve the 18/87 patent pendency goal?

ANSWER:

The 1987 Budget request contains $3.2 million for overtime, an increase of $100,000 over the 1986 Budget request (prior to Gramm-Rudman-Hollings). The reduction of 57 examiners represents the combination of examiner productivity improvements, elimination of backlogs, and a differing mix of grades than was contemplated for 1987 in earlier budget cycles. Since development of the 1987 President's Budget, we have been addressing the effects of Gramm-Rudman-Hollings as well as a further increase in application levels. We now expect to achieve the 18 months pendency period no later than 1989. As we near attainment of the 18 month pendency goal, our planning is aimed at maintaining pendency with minimum disruption to the Examining Corps and toward further improvements in patent quality.

QUESTION:

According to the budget request, patent pendency will be reduced in part due to the increased productivity of new examiners hired from 1982 to 1985.

a. Are you concerned that these less experienced examiners will issue lower quality patents?

b. Do the newer examiners generally have higher productivity than the more experienced examiners?

c. How has increased examiner productivity affected pendency and quality? (See PTO-21)

ANSWER:

a. Several measures are being taken to ensure that patents reviewed by the new examiners meet quality standards. We start with high recruiting standards for new examiners. These examiners then undergo a strong orientation program at the Patent Academy throughout their first year to train them in the latest examination methodologies. Most importantly, junior examiners' work performance is further controlled through supervisory review of every examiner action. As followup, the Examiner Education Program provides continued exposure to new techniques and technological advancement for all examiners. We also provide the Law School Tuition Assistance Program to build a sound background in patent law.

b. Productivity of newer examiners is higher than originally expected but significantly below that of the more experienced examiners. The grade structure of the Examining Corps is based in large part on productivity and quality. Higher graded examiners are, by definition, more productive than those at the entry level.

c. Increased examiner productivity has enabled us to stay on track with our pendency goal despite an increase in application levels at 116,000. It has also permitted us to hire fewer new examiners than we originally planned. Higher productivity also frees more resources for application to quality improvement tasks such as the long range automation program and the more immediate quality improvement programs such as education and commercial data base searches.

QUESTION:

It appears as though attaining pendency of 18.9 months in 1987 assumes a decrease in applications from 1985 to 1986 and no change in the number of applications from 1986 to 1987. (See PTO-20.)

a. How can these assumptions be made, especially since the number of applications increased from 1984 to 1985?

b. What other assumptions is the 18.9 month 1987 pendency estimate based on?

c. Won't applications increase as pendency decreases?

ANSWER:

a. Planning assumptions contained in the 1987 Budget request were developed prior to the availability of 1985 actual data. We conservatively estimated that the 1985 level of approximately 116,000 applications would remain relatively steady in the outyears. Given some built-in flexibility in managing non-recurring fluctuations in applications, an average level of 116,000 applications appeared reasonable. Currently we project 121,000 applications in 1986. Given this recent increase in projected applications, the likelihood that high application levels will continue through 1987, and the effects of Gramm-Rudman-Hollings in 1986, we will be unable to achieve 18 month pendency in 1987.

b. The 18.9 month pendency in 1987 assumes no added pre-examination or post-examination backlogs. It assumes a specific number and grade mix of working examiners producing at levels consistent with recent historical productivity averages by grade and operating at a specific amount of overtime. Actual performance in 1986 (hires, attritions and productivity) as well as budgetary changes (Gramm-Rudman-Hollings) will act to alter our approach to achieving this goal.

c. We do not have any evidence that applicants decisions to file are influenced by the pendency period.

Trademarks

QUESTION:

Since the trademark fees reflect full cost recovery, will trademark owners be required to pay for both the manual and automated systems even though they are unable to use the automated system?

ANSWER:

Trademark fees are currently set to recover the costs associated with the registration of trademarks. Because most areas of the Trademark Operation are automated, the costs associated with the Automated Trademark System are a necessary cost of the registration process. As such, trademark fees are used to recover the costs associated with the automation of the process. Trademark owners, in fact, gain significant benefits from the present automated systems in the Trademark Office, although they cannot yet access the automated search system. One automated system presently available to the trademark owner, known as TRAM II, contains an extract of the essential information extracted from all active trademark applications and registrations, and also includes all status and location information. The information extracted from the application and registration is the same information found in the automated search system. These records can be accessed by any trademark owner or any other member of the public, free of charge in the Trademark Public Search Room. Additionally, TRAM II is used internally in the Trademark Office for all processing of applications and registrations and data from this system is used to create magnetic tapes which contain the data which will be used to publish the Trademark Official Gazette and print the trademark owner's registration certificate. Trademark owners are deriving many benefits from trademark automated systems even though they do not yet have access to the automated search system. Additionally, trademark owners will derive a direct benefit from the higher quality search which should be available through use of the automated search system by trademark examining attorneys.

Futhermore, section 4 of the PTO authorization bill passed by the House and favorably reported by the Senate Judiciary Committee prohibits the imposition of fees for the use of public search rooms and libraries. Section 5 of the authorization bill passed by the House goes one step further and prohibits the use of fees for any automation program. If section 5 of the House bill is enacted, automation would have to be funded from appropriations.

Administration

QUESTION:

What is the total amount PTO plans to spend on outside contractual services (object class 25) in FY 1987?

a. Of this, how much will be procurred non-competitively? Please provide a listing and detailed explanation for each non-competitive contract.

b. How much of the contracting expenditures will be on consultants? List the contracts for the record.

c. In compliance with the provision in the P.L. 99-190 continuing resolution, did you take a 10 percent cut in consulting services? What contracts were reduced and by what amounts?

ANSWER:

PTO plans to spend $55,776,000 for outside contractual services in FY 1987. The largest portion is for Automation contracts ($46,361,000).

a. Of the $55,776,000 estimated in 1987 for outside contractual services, the following major contracts/subcontracts are expected to be procured on a non-competitive basis:

Description	Amount
1. MITRE Corporation, a not-for-profit organization which has provided system engineering support for the Automated Patent System (APS) since 1981, will furnish assistance during FY 1987 primarily in the areas of APS test and evaluation: a) evaluation planning; b) analysis of data needs, sources and quality; c) analysis of examiner activities; d) development of implementation specific evaluation plans. Maintaining the MITRE contract will allow the PTO to forego an expensive and time consuming learning curve required of an alternative contractor unfamiliar with the APS system.	$1,300,000
2. Compu-Mark Cooperative Agreement Buy-Out. In 1983, PTO signed an exchange agreement with Compu-Mark to convert the retrospective (paper) trademark data base to a digitized form. On 12/84, a Commerce Business Daily (CBD) notice on the PTO intent to enter a sole source contract for a buy-out was published. The only respondent was Compu-Mark. We anticipate this amount of residual expenditure in 1987.	260,000

3. Automated Patent System (APS) contract. This large-scale contract was competitively awarded in April 1984 to Planning Research Corporation (PRC) as the prime contractor in partnership with Chemical Abstracts Services (CAS).

PRC acts as the systems integration contractor for the APS. The General Services Administration (GSA) delegated procurement authority through the Department of Commerce to PRC which acts as the procurement agent for the APS contract. Under this arrangement, three subcontracts were awarded on a non-competitive basis following Federal procurement regulations:

A.	Intecom. Provides an Integrated Business Exchange (IBX) switch to control the flow of communications along the Local Area Network (LAN) between the APS mainframe and the user workstations. Only known source. CBD notice on intent to procure non-competitively was issued on 8/9/84. Award was on 9/27/85.	[$2,800,000]
B.	MVS operating system software. Controls access by multiple systems to APS mainframe computer. Supports applications software design firm. Only IBM has license. On GSA schedule. CBD synopsis was issued on 11/24/84. Award was on 2/4/85.	[$294,000]

C. ADABASE. Data base management system software. Provides "shell" or structure for application software. Used by APS software design firm in modifying firm's existing software programs to meet APS needs. CBD synopis was issued on 12/6/84. Award was on 2/6/85.	[$56,000]
Total, Non-competitive contracts	$1,560,000
[Total, Non-competitive subcontracts awarded within a competitive contract]	[$3,150,000]

b. About $84,000 is planned for consulting and related services. A total of approximately $74,000 is used to support implementation of the Automation Master Plan. These funds for consulting services, management and professional services, and special studies and analyses will be used to help implement an effective and efficient automation system. The remaining $10,000 is planned for various arbitrators used during employee union proceedings with the Patent Office Professional Association (POPA) and the National Treasury Employee Union (NTEU) Locals 243 and 245 to settle disputes over performance appraisal standards, performance evaluations for signature authority, effect of employee learning curves on performance expectations, and employee relocations into different technologies.

c. Yes, a 10 percent cut was taken. $8,000 was withheld from obligations for consulting services relating to automation.

National Bureau of Standards

QUESTION:

In the appropriations bill in 1986, the Senate Appropriations Committee recommended language that would allow the National Bureau of Standards to accept private contributions to construct a cold neutron research facility. The Department opposed this language, and it was dropped in conference with the House of Representatives. In light of continuing budget constraints, would the Department oppose such language if it were added in the 1987 bill?

ANSWER:

The funding approach outlined in the fiscal year 1987 President's budget for the Cold Neutron Research Facility is consistent with Federal Government Policy for funding National Facilities. Outside support for use of a National Facility cannot be actively pursued until commitment is made by the Federal Government to construct.

o NBS estimates of industrial support include:

- Five stations to be set aside for use by the private sector and to be equipped by them at an estimated expense of $4.0M.
- Operation of these stations to be funded by the private sector at an estimated expense of $1.5M.

The NBS budget proposal offers significant financial leverage by augmenting the 20 megawatt research reactor that already has provisions for a cold neutron source rather than constructing a new facility which would cost over $150 million and take approximately ten years to complete.

QUESTION:

The National Bureau of Standards is requesting an adjustment to base of $2,342,000 for equipment. Why is this increase so high? Specify the equipment to be acquired with these funds.

ANSWER:

This adjustment to base increase consists of two parts:

- o $42,000 to offset the effects of inflation for special laboratory equipment which is used for purposes specific to a particular project and has a useful life of less than one year.
- o $2,300,000 which represents the STRS portion of a $3,800,000 increase in depreciable equipment replacement cost caused by the effects of inflation. In the FY 1986 NBS Authorization Bill the Congress approved a replacement cost system which allows NBS to recover, through depreciation charges, the replacement cost of depreciable equipment. Under the system used prior to FY 1986, the NBS original investment in equipment had been seriously eroded

  by inflation. The replacement cost system will be of benefit in two ways: (1) it will allow a reduced appropriation from $3.3 million in FY 1985 to a level of $2.3 million in FY 1987, the remaining funds being paid by reimbursable users of NBS programs and, (2) it will allow NBS to maintain current equipment levels. The effects of inflation on an approximately $80 million equipment inventory can have very deleterious results if depreciation collections are based on historical costs. The replacement cost system will allow depreciation collections at a replacement cost level to ensure the availability of working capital necessary to replace equipment at current costs. With these additional funds, the NBS Depreciable Equipment budget will be $15.7 million in FY 1987, approximately seven percent of the total FY 1987 budget.

The following examples are typical of the instrumentation to be procured: Mass spectrometers, optical emission spectrometer, gas chromotography system, diffusion furnaces, and molecular beam epitaxial reactors.

QUESTION:

What is the status of the effort by the electronics and computer industry to establish an organization to complement the programs of the Institute for Computer Sciences and Technology (ICST) as discussed on NBS-59?

ANSWER:

The Corporation for Open Systems (COS) was recently formed as a consortium of approximately 20 companies including IBM, AT&T, Burroughs Corporation, Control Data Corporation, DEC, Honeywell, NCR, Sperry, Wang and Xerox. This consortium will coordinate its member companies efforts in standards implementation, testing, and certification. It will work through established standards bodies to expedite the development of standards, and will work to establish a single set of test methods and certification procedures internationally. Membership in COS is open to vendors and users of computer and telecommunications products and services.

QUESTION:

When Congress approved funding for the Commerce Consolidated Computer System it was informed that base funding levels would permit the operation of the system in the foreseeable future. Why, then, is the Department requesting an additional $550,000 for this system in 1987?

ANSWER:

The approved funding is for the basic operation of the computer system. The additional funding will provide for more efficient computer programs which will improve the productivity and exploit the full capabilities of this system. This requires staff skilled both in dealing with the special properties of supercomputers (vector processing) and in certain ways of approaching complex problems so as to reduce dramatically the number of operations to achieve a desired end. These skills cut across the disciplines of computer science and applied mathematics. We presently have a few people who possess these talents; they have shown impressive increases in computing efficiency. In general, these increases come from both effective vectorizing of the problem and from using very efficient sorting algorithms. The increase will enable us to add more such skill and thereby increase the capability of the existing computers far beyond their present near-saturated condition.

National Telecommunications and Information Administration

QUESTION:

The NTIA budget refers to on-site compliance inspections and reviews that it conducts to ensure that federal agencies are making authorized use of frequency assignments.
a. How many of these inspections and reviews does NTIA make annually?
b. How many times has NTIA issued a formal warning to an agency or canceled a frequency assignment because of unauthorized or inefficient use?
c. What power does NTIA have to enforce authorized and efficient use of assigned frequencies?

ANSWER:

a. In a representative year, NTIA performs 15 to 19 inspections and reviews. There have been less these past few years because of enhancements required to the Radio Spectrum Management System van, which is used on-site to collect data.

b. NTIA's role and objective is to effectively manage the Federal Government's use of the electromagnetic spectrum and provide frequency assignments and support to other Federal agencies. When unauthorized or perceived inefficient use of the spectrum by another Federal agency is encountered our role and goal is to work closely with the Interdepartment Radio Advisory Committee (IRAC) and/or the Frequency Assignment Subcommittee (FAS) representative of the Federal agency involved to rectify the situation. This approach has proven successful during the last 30 years and consequently it has not been necessary to revoke a frequency assignment.

c. NTIA can enforce authorized and efficient use of assigned frequencies because NTIA has the power to assign and revoke the frequency assignment. This power is derived from Executive Order 12046, which gives the Secretary of Commerce the authority to "assign frequencies to radio stations or to classes of radio stations belonging to and operated by the United States, including the authority to amend, modify, or revoke such assignments". When a frequency is denied or revoked, the only appeal is to the President who has delegated the appeal authority to the Office of Management and Budget.

QUESTION:

This past year NTIA issued two comprehensive studies--one on domestic communications policy and the other on the benefits of competition. Please provide the estimated cost to prepare each of these studies.

ANSWER:

The estimated cost to prepare both the Domestic Telecommunications Policy Study and the NTIA Competition Benefits Report is $150,000. This estimate consists primarily of NTIA staff resources, with minimal other costs (such as printing). No contractual arrangements were made for additional support from outside NTIA.

QUESTION:

The following questions are related to NTIA staffing and personnel management.
a. What is the average grade level for NTIA staff for each of the last five years?
b. How much is included in the FY 1987 budget for awards and SES bonuses? For training?
c. What percentage of NTIA's SES staff have left the agency during the last 3 years?

ANSWER:

a. The average grade level for NTIA's staff has remained fairly constant over the last five years:

FY 1983	FY 1984	FY 1985	FY 1986(Est.)	FY 1987(Est.)
11.24	11.08	11.19	11.25	11.11

b. The FY 1987 budget includes $24,000 for awards and SES bonuses. Training funds of $39,000 are included.

c. Although NTIA has had no net decrease in SES staff over the last 3 years, approximately 20% of the SES staff have left the agency.

QUESTION:

What is the total amount NTIA plans to spend on outside contractual services (object class 25) in FY 1987?
a. Of this, how much will be procured non-competitively? Please provide a listing and detailed explanation for each non-competitive contract.
b. How much of the contracting expenditure will be on consultants? List these contracts for the record.
c. In compliance with the provision in the P.L. 99-190 continuing resolution, did you take a 10 percent cut in consulting services? Which contracts were reduced and by what amounts?

ANSWER:

Object Classification 25, Other Services, includes contractual services as well as computer software, other ADP estimates, research and development support services, and items not otherwise covered. NTIA estimates outside contractual services of approximatly $150,000 in FY 1987. This estimate is based upon the amount estimated for FY 1986, which included:

Frequency Management Advisory Council	$ 10,000
Telecommunications Protocol with China	50,000
Telecommunications Coordination Workshop	30,000
High Frequency Broadcasting support	16,000
Millimeter Wave equipment performance	27,000
Total	$133,000

a. Although NTIA's contractual efforts have decreased substantially over the last four years, NTIA continues to support the competitive award process and use it whenever possible. A determination of FY 1987 contracts has not been made at this time, but the Frequency Management Advisory Council (FMAC) will be non-competitive.

b. The FMAC advises the Secretary of Commerce on radio frequency spectrum allocation and assignment matters and the means by which the effectiveness of Federal Government frequency management may be enhanced. Due to the highly specialized nature of FMAC, members are selected for their individual and collective mix of technical expertise in radio spectrum management issues. Other contracts for FY 1987 have not been determined at this time.

c. NTIA has taken an FY 1986 consulting services reduction of $23,000 (10% of the Other Services section of Object Classification 25). The Telecommuncations Coordination Workshop will be eliminated to allow NTIA to absorb this reduction unless there are other changes later in the year.

Questions Submitted by Senator Weicker

QUESTION:

In these times of high federal deficits, it is understandable that spending cuts must be made in many areas of government spending. However, NOAA, the nation's lead ocean agency, is being asked to absorb 83% of the DOC budget reduction for FY 1986. How can this be justified?

ANSWER:

The reductions were proposed on a programmatic basis rather than a proportionate share basis. The FY 1987 budget reflects the resources required to address NOAA's highest priority responsibilities. Many of the reductions involve programs which have fulfilled their original objectives and are more appropriately supported by the private sector or state which benefits from their results.

One of the major reductions proposed is a one-satellite polar-orbiting system. Maintaining a two-polar system is not a cost-effective use of Federal funds since no substantial degradation of the quality of forecasts under a one-polar system is expected.

QUESTION:

The proposed A-76 savings for NOAA are $7 million in FY 1987. What have been the actual savings achieved as a result of A-76 productivity reviews for the DOC over the past few years? What share of these savings have been realized by NOAA?

ANSWER:

The FY 1987 budget for the Department of Commerce estimates $10.6 million in A-76 savings. $7.2 million, or 67% of that total, is attributable to NOAA. The 1987 budget request for NOAA represents more than one-half of the DOC total request. NOAA's FY 1985 and 1986 appropriations recognized $3.1 million and $4.1 million, respectively, to be achieved through estimates of A-76 savings. Annual savings associated with completed NOAA A-76 studies are as follows:

		Annual Savings
Logistics Supply Center (FY 1984)	contract	$344K
Metro Support Services (FY 1985)	in-house	$627K
Nat'l Oceanographic Data Center ADP activities (FY 1985)	in-house	$318K
Weather Chart Reproduction (FY 1986)	in-house	$51K
Test & Evaluation Facility (FY 1986)	in-house	$376K
Overseas Operations Division -- Logisticis (FY 1986)	in-house	$10K
Imagery Process Lab (FY 1986)	contract	$25K

QUESTION:

The DOC proposes to rescind nearly $197 million in FY 1986, with 32% of this total coming from NOAA. Why is NOAA being asked to bear such a disproportionate share of the Federal budget reductions?

ANSWER:

The rescissions were proposed on a programmatic basis rather than a proportionate share basis. The objectives of the Sea Grant and Coastal Zone Management programs have been met. It was appropriate for the Federal Government to establish the existing network of Sea Grant College programs and assist the coastal and Great Lakes states in developing Coastal Zone Management programs. These tasks have been completed; and in the time of Federal deficits, responsibility should be transferred to the beneficiaries.

QUESTIONS SUBMITTED BY SENATOR HATFIELD

International Trade Administration

Office of Export Administration

QUESTION:

This Committee has received considerable comment about the backlog of export license applications and, over the past several years, has approved enhancements in both staff and salary to accommodate the increasing workload. Please quantify for the Committee the results of increased funding, and staff by providing a list of the annual number of export license applications since 1981, the average length of time required to process an application in each year since 1981, the average person-hour per application and/or the dollar spent per application, or any other available standard for gauging the efficiency of the license application process over the past five years.

ANSWER:

The Department has made considerable progress in the timely processing of export licenses. The following table demonstrates that, even in the face of an ever-increasing volume of cases, we have managed to reduce the processing times for all types of license applications. What the table does not demonstrate is the growing sophistication of the products and technologies that need to be reviewed as part of our licensing process. In addition, growing evidence of diversion of critical items from free world countries to controlled destinations has required increased time and attention to free world applications.

Cases Received for all Countries

	Total Applications	All Cases Average Processing Times 1/
FY 1981	71,369	3/
FY 1982	80,369	3/
FY 1983	95,364	20
FY 1984	116,332	33
FY 1985	121,471 2/	28
FY 1986 (1st Qtr)	27,798	25

1/ These are average case processing times for license applications approved, rejected, or returned without action.

2/ Excludes over 10,000 amendments which undergo similar processing to other applications.

3/ No figures available because average processing time data only became available with the full introduction of the computerized LARS case tracking system in 1983.

No specific standards for gauging the efficiency of the license application process were instituted before the establishment of the Free World licensing fast track system in late FY 1984. Thus, FY 1985 was the first year such standards were used on a per licensing officer basis and these standards called for an average processing rate of 44 licenses per day per free world licensing officer. Similar times have not yet been established for licensing officers handling applications for controlled (i.e. bloc) destinations because the nature of the review of such cases has been more technical and varied than that performed on free world case. Bloc licensing cases traditionally have accounted for only about 10 percent of export license applications received.

However, in FY 1985, as a result of formation of a China Licensing Team and establishment of "Green Zone" cases to handle the large number of PRC cases received, it became possible to develop a fast track method of handling PRC cases. This resulted in dramatic improvement in licensing times for Green Zone cases from an average of three months to less than two weeks processing time in Export Administration, plus 3 months in COCOM. Most recently, (effective February 15, 1986), as a result of negotiations with the PRC and COCOM member nations, Green Zone cases can be approved without reference to COCOM, except on a monthly notification basis, provided the applications are supported by a new End User Certificate issued by the PRC This has reduced total processing time on Green Zone cases to 15 work days.

During FY 1986, using the free world and China licensing techniques, we expect to expand the fast track concept to at least a portion of bloc licensing and thereby improve our overall license processing time performance.

QUESTION:

Some firms have expressed concerns that because of the varying lengths of time it takes to approve any one application, they have no way of anticipating when an application might be approved and are forced to call EA for a status report on the likely date of approval. Loan commitments, closing dates, etc. are dependent on an application's approval, but at the same time a request for a status report necessarily dissipates valuable resources that could be used to actually process the request. How uniform is the average approval process period? Does the time vary by 10-20 percent, or 30-50 percent? How many inquiries for status reports are received for each pending application? What process is implemented in EA to handle such inquiries and does it distract from the review and approval process itself?

ANSWER:

On an overall average basis, license applications are now being processed in an average of 25 days. However, processing times vary according to destination, to intended end use and end-user, whether or not a pre-license check is necessary, and whether a case requires referral to another agency and/or COCOM. Free World cases not requiring referral to other agencies average completion in 17 days and referred Free World cases average 42 days, with a total average Free World processing time of 21 days. For controlled (bloc) country destinations, the average processing times are 17 for non-referred cases and 65 days for referred cases.

Each day, we handle some 200 inquiries on the status of license applications. While many of these calls can be answered quickly, many others require significant research.

We have no figures to show the number of status requests for each application. In fact, the EAA prescribes, in Section 10, the time frames in which Commerce must process cases that do not have to be referred to other agencies and those that require referral to other agencies and/or COCOM. These prescribed processing time frames are explained in the acknowledgment form that must be sent to each applicant within 10 days after receipt of the application in the Office of Export Licensing (OEL). Therefore, as long as the OEL maintains the prescribed licensing schedule for each license, there should be no need for status checks by applicants except in emergency or special situations.

As stated in our first quarterly report to the Congress on the status of behind schedule applications, which is required under Section 10 of the EAA, 96 percent of the license applications received from October 1 to December 31, 1985,were processed within the prescribed times. The 96 percent rate has continued through the second quarter of FY 1986.

Problems have arisen largely when OEL has not been able to maintain the prescribed processing times, or when companies need assistance in expediting their licenses in less than the prescribed processing time. OEL, through its Exporter Assistance Staff, provides personnel to give the applicant a current status on the progress of the application in the processing cycle or to give emergency or special handling of the case if such action is deemed warranted under OEL criteria. Status inquiries would not ordinarily interfere with the licensing officers work unless it becomes necessary for the Exporter Assistant staff person to discuss the case with the licensing officer.

QUESTION:

Through Executive Order, the Commerce Department, in conjunction with the Department of Defense and other agencies, have established an interagency review board for export license applications of materials and devices that might be sensitive to national security interests. Please quantify the number of annual applications referred to that Interagency Task Force since its inception; list the annual number (by quantity not name) of devices or products included within the scope of the Task Force jurisdiction; provide the average length of time for application approval, by year, since its inception.

ANSWER:

The interagency review board referred to in your question is the Export Administration Review Board (EARB) established pursuant to Executive Order 11533 of June 4, 1970 and continued in effect by Executive Order 12002 of July 7, 1977. Prior to 1970, this Cabinet level interagency review function was carried out by the Export Control Review Board (ECRB), established under Executive Order 10945 of May 24, 1961.

The EARB consists of the Secretary of Commerce as Chairman, and the Secretaries of Defense and State. The Secretary of the Treasury was also a member in his capacity as Chairman of the East-West Foreign Trade Board, but the latter board is now defunct. Heads of other departments and agencies may be invited to participate when matters of concern to them are being considered. Under these Executive Orders no alternate board members may be designated, but the acting head of any Department may serve in lieu of the head of the concerned Department. Perhaps for this reason, and also because interagency resolution of licensing policy disagreements is sometimes attained at the Assistant Secretary level under the auspices of the Advisory Committee on Export Policy (ACEP), meetings of the EARB have been infrequent. In fact, it is impossible on the basis of records readily available in this Department, to advise you as to the number of meetings held by the EARB or the ECRB since their inception, the number of annual applications referred to those Boards, or any of the other statistics requested in your question. If the Committee wishes, we will seek to retrieve records from the Archives to determine whether it is possible to provide the requested statistics on past activities of the Board.

The last meeting of the EARB occurred on July 5, 1983.

QUESTIONS SUBMITTED BY SENATOR SPECTER

International Trade Administration

QUESTION:

The Administration's FY 1987 budget proposes a rescission of funding for the Trade Adjustment Assistance program. In a time of record trade deficits and hundreds of thousands of displaced workers in Pennsylvania and across the U.S., how can terminating this program which provides retraining, job assistance, and cash benefits to workers who have lost their jobs to foreign competition be justified?

ANSWER:

The Department of Commerce administers the assistance provided to firms and industries while the Labor Department provides the aid to workers. We do not believe that Trade Adjustment Assistance (TAA) for firms provides firms with adjustment to import competition, as affirmed by the Government Accounting Office in a 1982 report and the Inspector General in a 1985 study. The Department holds the view that the assistance is not effective in improving or stabilizing a firm's sales or employment and that there is no linkage between adjustment and provision of TAA. Even with improved administrative controls, the program is not effective in offsetting the competitive effects of imports. The isolated instances in which TAA successfully confers assistance are limited to a handful of firms in only a few industries.

ECONOMIC DEVELOPMENT ADMINISTRATION

QUESTION:

As you know, the Economic Development Administration (EDA) has been instrumental in creating jobs and stimulating economic activity in economically disadvantaged regions of the country. You indicate that appropriate federal assistance for local economic development will remain available through HUD's Community Development Block Grant program. To what extent will HUD and the CDBG program be able to effectively incorporate many of the functions of the EDA? What current assistance programs will be cut? What will be the expected economic impact of this change?

ANSWER:

HUD's Community Development Block Grant program provides local economic development assistance and will continue to do so in FY 1987. The Administration does not plan to incorporate EDA's specific programs into CDBG; however, the projects funded through the CDBG address similar community problems. Our objective is to end all current EDA assistance programs. We do not expect there will be any significant economic impact from this action.

Office of the Secretary

QUESTION:

In your prepared testimony you indicate that "reform of the product liability system is needed and this Administration places a high priority on such reform." As you know, the cost of liability insurance has risen greatly in the past two years and many businesses are simply unable to afford their premiums. What reforms do you believe present the most efficacious and equitable means of addressing this problem?

ANSWER:

A major contributing factor to the liability insurance crisis facing businesses of all sizes is the uncertainty and instability in our product liability litigation system. Last October, Attorney General Meese formed the Tort Policy Working Group to monitor and analyze developments in the area of tort reform, including product liability reform, and to report its findings to the Domestic Policy Council (DPC). The DPC is considering various concepts in areas such as standards of liability, damages, transaction costs and procedural reform which will go a long way toward relieving the uncertainty and instability in the product liability system.

Small Business Administration

QUESTION:

Under the fiscal year 1987 budget, the Administration has proposed the termination of the Small Business Administration and the incorporation of some of its current functions under the Commerce Department. To what extent will the Commerce Department be able to effectively administer and continue important programs? What will be the impact on small business economic activity?

ANSWER:

The Department of Commerce will be very effective in administering the small business programs proposed for transfer. The Department currently operates many complementary functions, including minority assistance, research, technical information, and trade assistance to businesses of various sizes. As a division of Commerce headed by an under secretary, small businesses will continue to receive high quality services. In addition, small business will benefit from its elevated status within the Executive branch and its representation in the Cabinet by the Secretary of Commerce.

Small business economic activity will not be adversely affected in any way by the transfer of the advocacy, procurement, and minority programs in the administration's proposal. In fact, we believe the transfer will benefit small business economic activity. The growth areas for small business are in technology and trade. Because the Department of Commerce is the leader in technology and trade assistance, the transfer of these programs will streamline the process for receiving these services.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

QUESTION:

Mr. Secretary, pages 3-8 of the budget states that the Economic Development Administration is again proposed for termination because it "No longer targets assistance to those in need, and instead often serves as a pork barrel for local and regional interests at the expense of the general public." We have heard that since 1981, but the Reagan Administration has controlled EDA's expenditures for the last five years.

Is the Reagan Administration now saying that it has been serving as "a pork barrel" over the last five years?

ANSWER:

This Administration has an excellent record in managing the programs of the Economic Development Administration (EDA). During the last five years, we have implemented changes which have improved the quality of new projects, expanded control over existing projects, and substantially reduced debt. We are continuing every effort to manage EDA as efficiently and effectively as possible.

In spite of our efforts to select the best available projects, we still believe that these resources could be more productively employed in other public or private investments. Discretionary assistance programs such as EDA, are inherently political and frequently generate major lobbying efforts in support of proposed projects. This Administration has not responded to this political pressure, but we recognize the potential for "pork barrel" spending in EDA and similar programs.

QUESTION:

Mr. Secretary, as has been stated on previous occasions, you have the power to operate the Economic Development Administration any way you want. While 80% of the country may be eligible, you have the authority to target EDA assistance to the areas of highest unemployment.

While the Administration talks of the general economic prosperity, we still have 15.8% unemployment in Marlboro County, South Carolina.

Trickle down has not and will not help Marlboro County, nor McCormick County at 15.2%, or Chester County with a 12.6% unemployment rate. Neither will enterprise zones.

It appears that the Reagan Administration wants to forsake these and similar areas that have not shared in the general prosperity. Instead of sticking your heads in the sand, why not tighten up EDA into a tightly structured program, that will renew the economic vitality of Marlboro County and similarly situated areas?

ANSWER:

EDA does attempt to target assistance to the areas of greatest need. Nevertheless, Congressional mandates to fund specific projects have caused problems with this strategy. For example, the current FY 1986 continuing resolution required EDA to provide a $4.5 million grant to Lexington County, South Carolina. As of December 31, 1985, the unemployment rate in this county was 4.3 percent. Projects of this type obviously run counter to the very intent of the Agency as well as that alluded to by Senator Hollings in the comparisons addressed in this question.

This Administration recognizes the problems that rural distressed counties have and is taking appropriate action to accommodate this. For example, since 1981, EDA has awarded three grants in Marlboro County, totaling $2,221,521, one in McCormick County for $664,800, and one in Chester County for $404,848. In addition, the Farmers Home Administration has more than $14 million in outstanding loans in Marlboro County. The notice in the Federal Register published in January places greater emphasis on rural and agriculturally dependent counties as conditions for EDA assistance.

International Trade Administration

Textiles and Apparel

The 1986 appropriations act included a specific earmark of $7,090,000 for the Office of Textiles and Apparels. The Committee's report carried the expectation that a separate budget subactivity for OTEXA would be established in fiscal 1987 estimates. Instead of this small bone for those of us interested in textiles, we find no consolidated budget; and worse yet, no support for the Tailored Clothing and Technology Corporation (TC^2), and an elimination of the Textiles and Apparels Export Expansion Program.

QUESTION:

Why was OTEXA's budget not presented as a separate subactivity as expected?

ANSWER:

The priority of OTEXA will continue to be maintained through its identification as a separate office within ITA's organizational structure rather than a subactivity in budget justifications. This will avoid inequitable treatment of this one industry sector. Resource information on OTEXA is available from the Department at any time.

QUESTION:

I will submit for the record an updated summary of OTEXA funding. [The summary follows:]

TEXTILES AND APPAREL FUNDING SUMMARY

(Dollar amounts in thousands)

	Fiscal Year		
Appropriated funds	1985 actual	1986 estimate	1987 estimate
Permanent personnel compensation....	$1,610	$1,611	$1,585
Other than permanent personnel compensation....................	33	—	—
Overtime..........................	12	10	10
Cash awards.......................	21	20	20
Personnel benefits................	185	181	178
Subtotal.........................	1,861	1,822	1,793
Travel............................	116	114	114
Transportation of things..........	2	—	—
Communications, utilities, and rents..........................	—	—	—
Printing..........................	73	80	80
Other services....................	228	403	439
Supplies..........................	9	9	9
Equipment.........................	36	51	51
Subtotal.........................	464	657	693
Tailored Clothing Technology Corporation......................	3,500	3,349	—
Export expansion program (promotion) direct project costs.............	1,000	957	—[1]
Total............................	$6,825	$6,785	$2,486
Amount for textiles information management system (TIMS) (non-add; included in above total............................	($304)	($469)	($490)
FTE...............................	44.0	44.0	44.0
Trust funds.......................	$171	$204	$175

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[1] The $175 in trust funds will be used for this program.

Please explain the decrease in 1987 for personnel compensation.

ANSWER:

The reduction in Textile and Apparel program personnel compensation is a part of the general budget reduction effort. We are exploring various methods of achieving this reduction such as not filling vacancies and delaying promotions.

QUESTION:

Why was the $1,000,000 eliminated for promotion of textile exports?

ANSWER:

The Textile and Apparel export promotion program was proposed for elimination because textile export promotion is already being conducted in other areas of ITA. We conduct trade expansion efforts in the U.S. and Foreign Commercial Service, which promotes the export of textiles as part of its normal overseas trade activities. The Office of Textiles will operate a reduced export promotion program with its trust fund account. Moreover other ITA programs promote textile exports through efforts at reducing unfair trade barrriers.

QUESTION:

While $490,000 is budgeted for the Textile Information Monitoring System (TIMS) in Fiscal Year 1987, the summary indicates that it is to come out of other items. Is that reasonable and just where could we expect the TIMS funding to be derived?

ANSWER:

TIMS funding will be provided for from the International Trade Administration appropriation under which the program falls. The Textiles and Apparel funding summary previously shown is an object class table and several object classes are involved in funding the TIMS program.

Office of the Secretary

QUESTION:

Mr. Secretary, you and the Attorney General have proposed relaxation of the antitrust laws due to concern over declining industries.

In October of 1985 a report was issued by the Bureau of Economics of the Federal Trade Commission entitled, "Antitrust Policy for Declining Industries." This report concluded that current merger law acknowledges foreign competition. It also concluded that U.S. Antimerger Laws and Horizontal Merger Guidelines need not be altered for declining industries as current antitrust policy is flexible enough to allow consideration of the efficiency gains that might occur as a result of mergers.

The report further concluded that a general policy to liberalize antitrust laws would be ill-advised and that mergers allowed under such a liberalization would not increase employment or improve the balance of payments.

What is your opinion of the conclusion of this report?

ANSWER:

First, I would note that the report is not an official report of the Federal Trade Commission. The report expresses only staff conclusions.

The report's conclusion that "liberalizing" the antitrust laws would be ill advised is not relevant to the Administration's proposal. The report's concept of "liberalizing" the antitrust laws includes exempting an industry from horizontal price fixing and other collusive activities. Such were the characteristics of the Ministry of International Trade and Industry and National Recovery Act experiments which the staff examined. In contrast, the Administration's proposal for distressed industries does not go so far. Anticompetitive mergers would not be permitted. In addition, the industry would not be exempt from The Sherman Act's prohibitions against monopolization and collusion.

The "liberalized" standard for mergers which the Administration proposes can best be explained by comparing it with the current standard under the 1984 Merger Guidelines. Under current policy, the Department of Justice and the Federal Trade Commission examine a merger to see whether the resulting firm will be able to exercise market power either by itself or in concert with another firm. Under the proposed standard for distressed industries, only the resulting firm's ability to exercise market power, acting alone, will be examined. The ITC's finding that import competition is strong substitutes for examining whether the resulting firm may collude to control the market. Continued import competition will protect consumers from any attempts by the domestic industry to raise prices through collusion. This loosening of the merger standard is not comparable to the relaxation of the antitrust laws which the staff report condemns.

It may be true that the 1984 Merger Guidelines already can accommodate a looser standard for distressed industries. I am not content to leave the survival of a distressed industry to discretion, particularly when neither courts nor foreign competitors who would sue are bound by the same Guidelines. The Administration's proposal will ensure that a court applies the fundamental principles of current policy.

The staff report recognizes that mergers are one important means by which declining industries can adapt to changed market conditions, and further that: "To compete effectively with their foreign rivals, U.S. firms must be able to take advantage of any efficiency-enhancing potential of mergers. Since merger activity is regulated by the antitrust statutes, it is of particular importance that merger policy not frustrate the attainment of efficiencies in industries subject to foreign competition." We agree.

QUESTION:

In FY 1985, the privatization of the federal land remote sensing satellite system was a high priority of the Reagan Administration. In response to your initiative, enabling legislation was passed to permit the privatization of Landsat, and this Subcommittee provided $125 million in FY 1985 for activities in FY 1985 and FY 1986. Now, in the FY 1987 Budget Request, no additional funds are requested for this activity.

Just what is the position of your Department concerning the privatization of Landsat?

How are other commercial firms expected to consider the privatization or commercialization of existing federal systems if the federal government, as this case, proves to be an unreliable partner?

For the record, what was the Department's budget request to OMB for Landsat transition support?

What was the OMB passback?

Was the OMB mark appealed? To what level?

ANSWER:

The Administration proposes to discontinue subsidies for Landsat and to transfer full responsibility for this program to the private sector because at this point Landsat principally benefits special interests (e.g., oil companies) and should be funded by those interests rather than by the Government. The marketplace will determine whether additional Landsats will be flown.

Landsat is a unique situation. We are proposing to terminate this subsidy because it is not a Federal role. It is not relevant to compare this with other privatization activities. The Landsat decision should not affect other privatization or commercialization activities.

DOC requested $97 million in FY 1987, $55 million in FY 1988 and $18 million in FY 1989 for the Landsat commercialization program.

The OMB passback eliminated all commercialization funding beyond the original $125 million appropriated in FY 1985. The Department appealed for restoration of the subsidy ($97M in FY 87) but the appeal was denied.

QUESTION:

In February, an Ariane rocket successfully launched the French SPOT land remote sensing satellite -- the key competitor with the U.S. Landsat system.

If no FY 1987 monies are provided for Landsat, will EOSAT continue with its privatization activities?

Will the Federal Government consider continuation of the existing Federal system?

What would be the effect on U.S. remote sensing and value-added industries, if the Landsat program is terminated?

Why does your Department recommend the termination of an activity -- Landsat -- that represents economic opportunities and new markets?

Are we giving the remote sensing business to the French?

ANSWER:

EOSAT has not yet indicated whether they will continue Landsat in view of the proposed subsidy termination. The U.S. Government already has appropriated $125 million in FY 1985 and 1986 ($90 million for EOSAT and $35 million to NASA for launch-related costs) for EOSAT to begin design and construction of Landsat 6 and 7 and a commercial ground system.

The FY 1987 budget request contains funding to operate the existing Landsat 4 and 5 system. Landsat 5 shows every indication of functioning beyond its design life through 1987. There are no plans for the Government to construct and operate follow-on land remote sensing satellites after the demise of Landsat 5 except as provided in the EOSAT contract.

The budget decision does not preclude the private sector's continuing Landsat activities. Data users have access to the vast amount of Landsat data on file. Further, if U.S. aerospace companies determine that these data users constitute a large enough market to make land remote sensing satellites profitable, U.S. aerospace will fly such satellites without Government subsidy. If not, the users can obtain data from satellite programs that France and Japan have just begun through heavy Government subsidy. The Administration's position is to subsidize neither these satellites nor, by extension, their users, given current fiscal constraints.

The Administration proposes to discontinue subsidies for Landsat and to transfer full responsibility for this program to the private sector because Landsat principally benefits special interests (e.g., oil companies) and should be funded by those interests rather than by the Government. The marketplace will determine whether additional Landsats will be flown.

We are not "giving" the "remote sensing business" to the French. We pioneered remote sensing for thirteen years via Landsat. The Administration has determined that subsidizing Landsat is not an appropriate Federal role. That the French choose to begin their own subsidies does not change our position. We are focusing our space program resources on efforts which will have the greatest benefit for the U.S. as a whole, and also eliminating unnecessary programs in order to restore the U.S.'s fiscal health.

QUESTION:

There is a rumor that the Department of Commerce is currently trying to get approval for a FY 1987 budget amendment that would resuscitate Landsat as well as improve the budget outlook for other satellite systems by assuming a transition from free-flying satellites to polar platforms.

Would you please give the committee an update on these internal deliberations?

What type of platform is being considered? Can this initiative be accommodated within the Landsat contractual provisions entered into by EOSAT (RCA and Hughes) and the department?

Can the department contract for the Omnistar platform or would a competitive bids procedure be required?

What are the short- and long-term budgetary consequences of such an option -- cost versus savings?

When will the Subcommittee be advised as to whether or not this option will be proposed?

ANSWER:

We are not at liberty to discuss proposals pending review within the Administration.

QUESTION:

The Administration has once again proposed a NOAA rescission package that includes all unobligated funds for Coastal Zone Management grants and Sea Grant. If the Congress does not approve these rescission proposals by mid-April when the statutory time period expires, am I correct to assume that you will direct NOAA to spend the money as called for in the fiscal year 1986 appropriation legislation?

ANSWER:

Yes; in accordance with the Budget Control and Impoundment Act, should Congress not approve the proposed rescissions we are prepared to proceed with obligating the remaining FY 1986 Sea Grant and Coastal Zone Management funds in a timely and efficient manner.

QUESTION:

The budget sequestration process in FY 1986 would appear to require a cut of some weather forecast and warning services. I understand that a reprogramming request is currently under consideration in the Department to address this problem. How soon can we expect to receive this request? Please describe the main elements you expect to be included in the request.

ANSWER:

The budget sequestration process requires reductions in all of NOAA's programs, including the National Weather Service. NOAA and DOC have proposed a reprogramming of funds to minimize the impact on actual forecast and warning services; the reprogramming request is under review.

QUESTION:

Once again in FY 1987 the National Marine Fisheries Service faces a serious reduction in funding (approximately 40%). Since the Agency's work is central to the management of our fisheries under the Fishery Conservation and Management Act, how do you propose that our fisheries be managed properly without an adequate level of research and development?

ANSWER:

The funding level proposed for research and management programs of the National Marine Fisheries Service will support effective and responsible management decisions for all high priority marine resources under domestic and international management. Some of the reductions will come from low priority programs and others from programs that are not proper Federal responsibilities. Other savings will come from new efficiencies from reducing overhead and from new fishery management techniques.

QUESTION:

The series of deadly tornadoes experienced in the Midwest on Monday reminds us of the importance of improving the National Weather Service's severe storm forecasting and warning capability. Can I assume that the Administration's FY 1987 budget reflects a long-term commitment to the modernization of the Weather Service, including a new weather radar system (NEXRAD) and telecommunications systems (ASOS and AWIPS)?

ANSWER:

The Administration's FY 1987 budget reflects a long-term commitment to the modernization of NOAA's National Weather Service. The budget includes funding to procure a nationwide system of NEXRAD dopplar radars, and continue development of the ASOS and AWIPS-90 programs.

Trade Adjustment Assistance

The Trade Adjustment Assistance to firms' program is once again to be eliminated. The Department of Commerce Budget in Brief says that "U.S. trade laws provide remedies against unfair import competition. Firms harmed by imports should not be entitled to additional special government assistance."

QUESTION:

One thing we agree on is that the trade laws do provide remedies, but when is the Reagan Administration going to start enforcing those remedies? For instance, how do you maintain the quotas and protect American firms by cutting the Customs Service by 1,446 positions, or 10 percent of the 14,123 positions provided for fiscal 1986?

ANSWER:

The Department of Commerce does not have first-hand knowledge of the FY 1987 Customs Service budget request. The Customs Service would be better able to answer your question.

QUESTION:

Since the Administration won't enforce the trade laws, don't you at least owe our firms impacted by imports some assistance in getting back on their feet?

ANSWER:

This Administration does enforce the trade laws. In FY 1985 alone, there were 147 cases filed under the antidumping and countervailing duty laws. Indeed it has been more aggressive than any Administration in recent memory in taking steps to discipline trading partners whose commercial policy is unfairly injurious to certain U. S. industrial sectors. The President's program of selective self-initiation of cases under Section 301 and antidumping statutes are just two examples. As for Trade Adjustment Assistance (TAA), even with improved administrative controls, the program is not effective in offsetting the competitive effects of imports. The isolated instances in which TAA successfully confers assistance is limited to a handful of firms in only a few industries.

A special program to help firms that have been impacted by trade is no more justifiable than a special program to help firms or industries that have been harmed by other factors such as changes in consumer tastes, heavy debt, poor management, obsolescence, etc.

QUESTION:

On March 6, the Secretary forwarded to me some information I requested about the Trade Adjustment Assistance program since the Reagan Administration took office. Unless there is objection, I will make the letter and enclosures a part of the record.

ANSWER:

[The information follows:]

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

MAR 6 1986

Honorable Ernest F. Hollings
United States Senate
Washington, D.C. 20510

Dear Fritz,

Thank you for your letter regarding the trade adjustment assistance (TAA) Program.

From January 20, 1981, through September 30, 1981, the Economic Development Administration entered into agreements for $43,969,000 of financial assistance to 43 firms. Of this amount, $4,915,000 represents loan or loan guarantee actions which either have been withdrawn or have not been closed as of this date. On October 1, 1981, the program was transferred to the International Trade Administration (ITA). From October 1, 1981, through December 19, 1985, ITA entered into agreements for $63,223,000 of financial assistance to 45 firms. Of this amount, $13,385,000 represents loan or loan guarantee actions which either have been withdrawn or have not been closed as of this date.

Enclosed is a list of the recipients of loans and loan guarantees for which agreements have been entered into by the Department under the TAA Program since January 20, 1981.

Sincerely,

Mac
Secretary of Commerce

Enclosure

INTERNATIONAL TRADE ADMINISTRATION
OFFICE OF TRADE ADJUSTMENT ASSISTANCE

Listing by Type (direct and guaranteed) loans, sorted by State and by status
from October 1, 1981 thru February 6, 1986

February 6, 1986

Firm Name	PLANT LOCATION City	PLANT LOCATION State	Amount Approved	Date Approved	Date Closed	Total Amt. Disbursed	Balance Outstanding	Status
LOAN GUARANTEES								
Forrest City Machine Works	Forrest City	AR	$900,000	09-21-82	03-30-82	$0	$0	Current
Forrest City Machine Works	Forrest City	AR	$2,100,000	09-21-82	03-30-82	$1,003,160	$809,345	Def-PD
Hart Systems	Glendale	CA	$1,500,000	06-21-84	07-05-84	$1,500,000	$1,439,155	Current
Hart Systems	Glendale	CA	$150,000	06-21-84	07-05-84	$122,836	$112,070	Current
Joy Footwear, Inc.	Hialeah	FL	$492,000	09-28-82	05-18-84	$492,000	$407,049	Current
Joy Footwear, Inc.	Hialeah	FL	$370,000	09-28-82	05-18-84	$270,000	$240,945	Current
Xonics, Inc.	Des Plaines	IL	$3,000,000	04-29-82	10-13-82	$3,000,000	$456,546	Non P
J. H. Westerbeke Corp.	Avon	MA	$2,400,000	09-26-84	08-07-85	$2,350,000	$1,971,429	Current
J. H. Westerbeke Corp.	Avon	MA	$600,000	09-26-84	08-07-85	$0	$0	Current
Haywood-Schuster, Inc.	East Douglas	MA	$2,000,000	12-10-81	12-00-81	$2,000,000	$1,306,500	Liq. -
Haywood-Schuster, Inc.	East Douglas	MA	$1,000,000	12-10-81	12-00-81	$1,000,000	$643,500	Liq. -
Eastland Woolen Mills	Corinna	ME	$3,000,000	02-18-82	00/00/00	$0	$0	Not Closed
Hartford Corp. (The)	New Brunswich	NJ	$1,700,000	09-23-83	07-28-84	$1,699,994	$1,351,016	Current
Patio Knitting Corp.	Burlington	NJ	$135,000	05-26-83	00/00/00	$0	$0	Withdrawn
Patio Knitting Corp.	Burlington	NJ	$100,000	05-26-83	00/00/00	$0	$0	Withdrawn
G & U Incorporated	Goshen	NY	$3,000,000	05-11-84	12-19-84	$2,500,000	$2,385,536	Current
Kubar Bearings, Inc.	Troy	NY	$3,000,000	08-26-83	12-14-84	$2,941,538	$2,941,538	Def-PD
Irwill Knitwear Copr.	New York	NY	$900,000	01-19-82	00/00/00	$0	$0	Not Closed
Roblin Industries, Inc.	Buffalo	NY	$3,000,000	09-26-84	00/00/00	$0	$0	Not Closed
Pacific Fireplace Furn	Portland	OR	$674,000	06-07-84	07-27-84	$529,000	$432,760	Current
Pacific Fireplace Furn	Portland	OR	$576,000	06-07-84	07-27-84	$380,211	$320,041	Current
PA Wilton Carpets, Inc.	Philadelphia	PA	$1,250,000	05-17-84	07-31-84	$1,250,000	$1,163,065	Def-PD
PA Wilton Carpets, Inc.	Philadelphia	PA	$250,000	05-17-84	07-31-84	$250,000	$250,000	Def-PD
Anson Incorporated	Providence	RI	$3,000,000	06-13-83	07-00-83	$3,000,000	$2,385,889	Def-PD
Gerli & company, Inc.	Mullins	SC	$3,000,000	02-27-84	01-16-85	$3,000,000	$2,762,500	Current
Feurer Leather	Mullins	SC	$3,000,000	04-29-82	01-21-83	$2,700,000	$2,055,639	Current
Simpsonville Mills, Inc.	Simpsonville	SC	$800,000	01-25-85	06-27-85	$800,000	$782,143	Current
Simpsonville Mills, Inc.	Simpsonville	SC	$2,200,000	01-25-85	06-27-85	$900,000	$865,783	Current
TOTAL GUARANTEES			$44,097,000			$31,688,739	$25,082,449	

Firm Name	PLANT LOCATION City	 State	Amount Approved	Date Approved	Date Closed	Total Amt. Disbursed	Balance Outstanding	Status
DIRECT LOANS								
McNamara & Peepe Corp.	Crescent City	CA	$1,000,000	09-26-84	00/00/00	$0	$0	Not Closed
Addmaster Corporation	Monrovia	CA	$600,000	11-07-85	00/00/00	$0	$0	Not Closed
Honolulu Premium Products	Honolulu	HI	$300,000	11-07-85	00/00/00	$0	$0	Not Closed
Parker Metal Corp.	Worcester	MA	$1,000,000	09-26-84	00/00/00	$0	$0	Not Closed
Dori Shoe Company	Lewiston	ME	$300,000	09-26-84	11-28-84	$300,000	$284,425	Current
Dori Shoe Company	Lewiston	ME	$700,000	09-26-84	11-28-84	$700,000	$652,453	Def-PD
L & W Engineering	Belleville	MI	$555,000	08-09-82	10-25-82	$495,560	$0	Pd-In-Full
L & W Engineering	Belleville	MI	$445,000	08-09-82	10-25-85	$445,000	$0	Pd-In-Full
Randon Knitwear	Graham	NC	$605,000	09-29-82	11-19-82	$605,000	$579,972	Def-PD
Gennett Lumber Company, Inc.	Asheville	NC	$240,000	01-10-85	00/00/00	$0	$0	Withdrawn
Gennett Lumber Company, Inc.	Asheville	NC	$160,000	01-10-85	00/00/00	$0	$0	Withdrawn
Voltronics Corporation	East Hanover	NJ	$135,000	09-23-83	12-15-83	$85,000	$70,298	Current
Voltronics Corporation	East Hanover	NJ	$365,000	09-23-83	12-15-83	$70,511	$64,236	Current
Federal Casters Corp.	Harrison	NJ	$350,000	08-05-83	06-05-85	$350,000	$306,956	Current
Car-Flite Mfg. Company	Moonachie	NJ	$134,000	07-05-83	11-01-83	$94,000	$62,117	Current
Federal Casters Corp.	Harrison	NJ	$450,000	08-05-83	10-10-84	$326,442	$316,753	Current
Fabrite Laminating	Wood-ridge	NJ	$1,000,000	09-29-83	06-04-85	$1,000,000	$941,509	Current
Basco, Incorporated	Perth Amboy	NJ	$300,000	06-16-83	08-31-83	$262,500	$244,687	Def-PD
Royal Art Mfg. Company	Kearney	NJ	$210,000	11-02-82	12-00-82	$210,000	$199,556	Non-P/Jus
Royal Art Mfg. Compnay	Kearney	NJ	$350,000	11-02-82	12-00-82	$80,000	$80,000	Non-P/Jus
Codi Corporation	Linden	NJ	$550,000	01-23-84	00/00/00	$0	$0	Not Closed
Victory Optical Co.	Newark	NJ	$500,000	09-23-83	00/00/00	$0	$0	Withdrawn
Codi Corporation	Linden	NJ	$400,000	01-23-84	00/00/00	$0	$0	Not Closed
Car-Flite Mfg. Company	Moonachie	NJ	$380,000	07-05-83	11-01-83	$50,000	$0	Pd-In-Full
Dunleigh Tuxton Corp.	New York	NY	$150,000	08-29-84	03-07-85	$4,243	$3,915	Current
Novasac Sales	New York	NY	$300,000	04-05-83	01-19-84	$37,186	$32,950	Current
Novasac Sales	New York	NY	$200,000	04-05-83	01-19-84	$200,000	$158,276	Current
Dunleigh Tuxton Corp.	New York	NY	$600,000	08-29-84	03-07-85	$463,000	$432,210	Current
Kubar Bearings, Inc.	Troy	NY	$500,000	08-26-83	12-14-84	$491,804	$486,824	Def-PD
Joseph Hirsch Company	Brooklyn	NY	$1,000,000	03-28-83	06-30-83	$1,000,000	$1,000,000	Non-P/Jus
Roblin Industries, Inc.	Buffalo	NY	$1,000,000	09-26-84	04-11-85	$790,000	$732,123	Non-P/Jus
Valtex Industries	New York	NY	$750,000	11-16-83	00/00/00	$0	$0	Withdrawn
Guemar Dress, Corp.	San Juan	PR	$300,000	09-21-82	10-26-82	$289,650	$274,273	Def-PD
Creaciones Ronie, Inc.	San Juan	PR	$125,000	09-28-83	11-17-83	$125,000	$112,376	Def-PD
Gerli & Company, Inc.	Mullins	SC	$1,000,000	02-27-84	05-03-84	$63,000	$59,570	Current
Roppolo Flowers	Marlin	TX	$275,000	07-06-82	11-03-82	$261,477	$193,033	Del-PD
Roppolo Flowers	Marlin	TX	$107,000	07-06-82	11-03-82	$87,161	$74,255	Del-PD
Jolene Company, Inc.	Provo	UT	$800,000	09-07-83	12-06-83	$800,000	$623,957	Current
York Capacitor Corp.	Winooski	VT	$240,000	04-29-82	04-29-82	$240,000	$633	Current
York Capacitor Corp.	Winooski	VT	$750,000	09-28-83	00/00/00	$0	$0	Not Closed
TOTAL DIRECT LOANS			$19,126,000			$9,926,534	$7,987,357	

STATUS CODES:

Current = Repayment of loan is Current.
Non-P = Non Preforming Loan - no repayment action at present time (Justice, Inspector General Office, etc.).
Liq = Liquidated (written off).
Not Closed = Documents to close loan have not been executed.
Del-PD = Past Due in payments 30 days.
Def-PD = Past Due in payments 60+ days.
Pd-In-Full = Loan has been fully repaid.
Withdrawn = Application for assistance was approved, but applicant advised agency that assistance no longer necessary.

ECONOMIC DEVELOPMENT ADMINISTRATION
TRADE ADJUSTMENT ASSISTANCE
AFTER JAN. 20, 1981 TO SEPT. 30, 1981

January 31, 1986

Firm Name	PLANT LOCATION City	State	Amount Approved	Date Approved	EDA Total Amt. Disbursed	Principal Balance Outstanding	Status	EDA Risk Code
LOAN GUARANTEES								
Transitron Electronics	Woburn	MA	$3,000,000	01-26-81		$900,000	Current	A
Sunweld Fitting	Los Angeles	CA	$1,000,000	02-20-81	$928,531	<$605,915>	Liquidated	O
Leird Church Furniture	Little Rock	AR	$600,000	03-09-81		$171,945	Default	F
Leird Church Furniture	Little Rock	AR	$1,000,000	03-09-81		$1,000,000	Default	F
Wyoming Valley Garment	Wilkes Barre	PA	$205,000	03-24-81		$85,000	Current	A
Blair Footwear	Altoona	PA	$1,000,000	04-14-81	$469,965	$423,000	Default	F
Hortex, Inc. (BTK Ind.)	El Paso	TX	$3,000,000	05-26-81		<$1,500,000>	Liquidated	O
Maui Divers, Inc.	Honolulu	HI	$2,500,000	06-08-81	$1,810,315	<$1,810,315>	Liquidated	O
Keystone Metal Mold	E. Detroit	MI	$680,000	06-29-81		$0	Paid	P
Keystone Metal Mold	E. Detroit	MI	$1,870,000	06-29-81	$1,418,882	$1,418,882	Default	F
Kelly Slax Incorporated	New York City	NY	$500,000	08-31-81	$170,000	<$170,000>	Liquidated	Q
Weber Tackle Company	Stevens Point	WI	$889,500	09-18-81		$101,000	Default	F
Weber Tackle Company	Stevens Point	WI	$1,210,500	09-18-81		$1,728,000	Default	F
Menser Industries, Inc.	Plymouth	IN	$545,000	09-30-81	$490,852	$490,852	Default	F
Menser Industries, Inc.	Plymouth	IN	$905,000	09-30-81	$814,606	$814,606	Default	F
Bridgeport Rolling Mills	Bridgeport	CT	$300,000	09-30-81		$0	Not Disb.	Z
U. S. Forge, Inc.	Detroit	MI	$2,200,000	09-30-81		$0	Pd-In-Full	P
Total Guarantees From 1/20/81			$21,405,000		$6,103,151	$11,219,515		

ECONOMIC DEVELOPMENT ADMINISTRATION
TRADE ADJUSTMENT ASSISTANCE
AFTER JAN. 20, 1981 TO SEPT. 30, 1981

Firm Name	PLANT LOCATION City	State	Amount Approved	Date Approved	Total Amt. Disbursed	Principal Balance Outstanding	Status	EDA Risk Code
DIRECT LOANS								
Transitron Electronics	Woburn	MA	$1,000,000	01-26-81	$1,000,000	$0	Pd-In-Full	P
Synestructics, Inc.	Los Angeles	CA	$200,000	02-10-81	$200,000	<$198,346>	Liquidated	O
Synestructics, Inc.	Los Angeles	CA	$400,000	02-10-81	$400,000	<$398,743>	Liquidated	O
Triple H. Apparel	Thomasville	NC	$52,000	02-11-81	$52,000	<49,717>	Liquidated	O
Triple H. Apparel	Thomasville	NC	$90,000	02-11-81	$90,000	$0	Pd-In-Full	P
Bertlyn Industries, Inc.	New York City	NY	$800,000	03-10-81	$800,000	<$800,000>	Liquidated	O
Niacet Corporation	Niagara Falls	NY	$1,000,000	03-27-81	$1,000,000	$881,697	Current	C
Messinger, Inc.	Hawthorne	CA	$624,000	05-05-81	$624,000	<$556,859>	Liquidated	Q
ATP Processors	Patterson	NJ	$935,000	05-28-81	$935,000	<$890,028>	Liquidated	O
John C. Kohaut, Inc.	W. Orange	NJ	$425,000	05-28-81	$251,499	$251,499	Liquidated	Q
John C. Kohaut, Inc.	W. Orange	NJ	$125,000	05-28-81	$125,000	$125,000	Liquidated	Q
Mark Industries	Arlington Hts.	IL	$200,000	06-08-81	$200,000	<$117,467>	Liquidated	Q
Mark Industries	Arlington Hts.	IL	$255,000	06-08-81	$255,000	<$255,000>	Liquidated	Q
Saw Mill River Ind., Inc.	Yonkers	NY	$925,000	06-08-81	$925,000	$0	Paid-In-Full	P
Custom Time Corporation	Philadelphia	PA	$1,000,000	06-15-81	$0	$0	Not Disb.	Z
Pivot Metal Works	New York City	NY	$100,000	06-18-81	$100,000	$93,042	Default	F
Pivot Metal Works	New York City	NY	$500,000	06-18-81	$500,000	$422,316	Default	F
Self-Powered Lighting	Elmsford	NY	$500,000	06-18-81	$500,000	$396,755	Default	F
Utica Duxbak Corp.	Utica	NY	$157,500	06-26-81	$139,376	$55,014	Delinquent	E
Utica Duxbak Corp.	Utica	NY	$740,500	06-26-81	$740,000	$435,453	Delinquent	E
Jerome Industries	Kenilworth	NJ	$150,000	06-29-81	$88,881	$71,714	Current	B
Jerome Industries	Kenilworth	NJ	$400,000	06-29-81	$400,000	$198,539	Current	B

ECONOMIC DEVELOPMENT ADMINISTRATION
TRADE ADJUSTMENT ASSISTANCE
AFTER JAN. 20, 1981 TO SEPT. 30, 1981

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Firm Name	PLANT LOCATION		Amount Approved	Date Approved	Total Amt. Disbursed	Principal Balance Outstanding	Status	EDA Risk Code
	City	State						
DIRECT LOANS CONTINUED:								
Fass Brothers, Inc.	Hampton	VA	$550,000	07-08-81	$550,000	<$471,638>	Liquidated	O
Ithaca Gun Company	Ithaca	NY	$750,000	07-08-81	$750,000	$750,000	Default	F
Ralph Edwards Sportswear, Inc.	Cape Girardeau	MO	$995,000	07-08-81	$0	$0	Not Disb.	Z
Rosewin Coats & Susids.	Kansas City	MO	$800,000	07-08-81	$800,000	$781,244	Liquidated	Q
Maguire Brothers Brush Co.	Port Chester	NY	$170,000	07-10-81	$170,000	$164,437	Default	F
Maguire Brothers Brush Co.	Port Chester	NY	$300,000	07-10-81	$300,000	$241,582	Default	F
Ostrom Company	Olympia	WA	$800,000	07-21-81	$600,000	$540,043	Default	F
Kelley Slax Incorporated	New York City	NY	$285,000	08-31-81	$53,536	<$53,536>	Liquidated	Q
Kelley Slax Incorporated	New York City	NY	$715,000	08-31-81	$715,000	<$702,887>	Liquidated	Q
Chronar Corporation	Trenton	NJ	$600,000	09-29-81	$600,000	$405,039	Delinquent	E
Chronar Corporation	Trenton	NJ	$400,000	09-29-81	$250,000	$168,824	Delinquent	E
BBG Textile Corproation	Kennett Square	PA	$600,000	09-30-81	$600,000	$354,983	Delinquent	E
Bridgeport Rollings Mills	Bridgeport	CT	$1,000,000	09-30-81	$0	$0	Not Disb.	Z
California Infanteen Togs	Los Angeles	CA	$140,000	09-30-81	$0	$0	Not Disb.	Z
California Infanteen Togs	Los Angeles	CA	$500,000	09-30-81	$301,770	$0	Pd-In-Full	P
Colorguard Corporation	Raritan	NJ	$100,000	09-30-81	$0	$0	Not Disb.	Z
Colorguard Corporation	Raritan	NJ	$380,000	09-30-81	$0	$0	Not Disb.	Z
Frontier Footwear Corporation	Tucson	AZ	$100,000	09-30-81	$100,000	<$96,110>	Liquidated	Q
Frontier Footwear Corporation	Tucson	AZ	$800,000	09-30-81	$300,000	<$253,710>	Liquidated	Q
Kessler Shoe Mfg. Co., Inc.	Westminster	MD	$1,000,000	09-30-81	$0	$0	Not Disb.	Z
Nachman Industries, Inc.	Philadelphia	PA	$250,000	09-30-81	$128,000	$0	Pd-In-Full	P
Nachman Industries, Inc.	Philadelphia	PA	$100,000	09-30-81	$100,000	<$92,882>	Liquidated	Q
Superex Electronics Corp.	Yonkers	NY	$650,000	09-30-81	$350,000	$350,000	Default	F
TOTAL DIRECT LOANS FROM 1/20/81			$22,564,000		$15,994,062	$11,624,104		

ECONOMIC DEVELOPMENT ADMINISTRATION
TRADE ADJUSTMENT ASSISTANCE
AFTER JAN. 20, 1981 TO SEPT. 30, 1981

<$> = Denotes amount of other credit applied to the original loan on EDA Accounting records (Form LN-14, Account 1500), actual loan account balance is equal to 0. However, there may or may not be additional recoveries on these amounts.

CURRENT = Current in payments (EDA Risk Codes A, B,and C).

Del = Past Due less than 60 days (EDA Risk Codes D and E).

Liq. = Charged Off and Charged Off, pursuing guarantor (EDA Risk Codes O and Q).

Default = Past Due 60+ days, In Special Servicing, In Liquidation and pursuing collection of collateral (EDA Risk Codes F).

Pd-In-Full = Repaid full amount (EDA Risk Code P).

Not Disb./Archived = (EDA Risk Code Z).

QUESTION:

From January 20 to September 30, 1981, this program was operated by the Economic Development Administration. On October 1, 1981, the International Trade Administration assumed this program. It seems to be that the program has been performing much better since it was transferred to ITA. It appears that 15 of the 23 loans guaranteed are current, as are 14 of the 29 direct loans closed. Considering that ITA is the lender of last resort to a firm already damaged by imports, would you say that's a fair record?

ANSWER:

We do not consider Trade Adjustment Assistance's record a fair way of spending taxpayers' dollars. The TAA record does not justify the cost of the program even though it has performed better since it was transferred to ITA. As of February 19, 1986, based on total dollars disbursed, the total delinquency/default rate for all ITA/TAA loans is 47 percent; the rate for direct loans only is 53 percent (7 percent are delinquent, 25 percent are in default, and 21 percent are non-performing); the rate for guaranteed loans only is 45 percent (27 percent are in default, 9 percent are non-performing, and 9 percent are in liquidation).

When the percentage of total dollars disbursed for a program reaches such high default rates it is evident that the program is a very expensive investment for the taxpayer. This is also supported by the historical record for the program. In our judgment, it is bad public policy to continue spending tax dollars on bad investments.

QUESTION:

Why don't you stand on that record instead of running away from your accomplishments?

ANSWER:

While it is true that the Trade Adjustment Assistance program has helped a very limited number of firms to adjust and become profitable it is largely because in the transfer of this program to ITA several new and improved policies were implemented to improve overall program performance. However, historical performance of firms has indicated (through prior EDA experience) that it takes approximately three years after receiving assistance for a firm to begin to achieve success or to fail. As you know, the TAA program is beginning its fifth year under ITA, and the performance of firms receiving assistance in the early days under ITA is now beginning to become measurable. If history illustrates to us that performance of a firm can only begin to be measured after approximately three years, we are therefore really only measuring the progress of the first two years of the ITA program. However, statistics for this program yield a 47 percent default rate to date. Therefore, we cannot assume that the statistics we see today will remain in the future, and, based on the EDA experience with Trade Act loans, it is likely that the failure rate will grow rather than level off.

This program singles out for assistance firms impacted by imports, although, in general some firms suffer far more seriously from other problems such as bad management, changes in consumer tastes, product obsolescence, etc. for which this program cannot provide any meaningful relief.

Also, firms suffering from unfair trade practices have available other forms of relief. The trade adjustment assistance program raises false expectations among businesses that government intervention in the management of private sector firms can rectify competitive disadvantages.

Revolving Loan Funds

Last year, in view of the decreased EDA appropriation, the Committee eliminated the funding for the capitalization of the revolving loan funds operated by localities. In the Conference, we provided $12,000,000 for the RLFs but stipulated that it should be distributed "to first-time recipients of such assistance." There have been several protests that this was an arbitrary decision and that several cities were planning on recapitalization of their RLFs in fiscal 1986.

QUESTION:

We restricted this to first-time recipients without soliciting the Department's comments. We appreciate Assistant Secretary Swindle's assurances to the House Public Works Committee that he will carry out our directions, but does EDA agree with the restriction or think it ought to be modified?

ANSWER:

In his February 6 statement before the Subcommittee on Economic Development of the House Committee on Public Works and Transportation, Assistant Secretary Swindle, after assuring the subcommittee that he plans to follow the language contained in the Joint Congressional Committee report, stated that, "This is in no way an endorsement of the conference position because as an administrator I prefer the greater flexibility found in the statutory language." He went on to say that, "If the Agency should receive contrary instructions in a subsequent joint report, we will move quickly to implement the change."

QUESTION:

According to the material from EDA that I inserted in the record, one locality (Los Angeles) has received 4 recapitalizations of its Revolving Loan Fund. I am informed that the original capitalization was $856,250 and the 4 recapitalizations have amounted to an additional $1,820,006. That is outstanding grantsmanship; but, while they have acquired $2,676,250 from EDA, there are 51 applications at EDA amounting to $25,500,000 from first-time recipients.

What can we do to ensure that the big hogs don't crowd the little ones away from the trough before it is empty?

ANSWER:

The primary criteria for reviewing all RLF proposals are the economic distress of the area, the need for and potential effectiveness of the RLF to create jobs and stimulate economic growth, and the capacity of the project applicant to effectively administer an RLF. Over the years, EDA has attempted to direct its RLF dollars to those areas of highest economic distress and greatest potential impact.

The RLF figures we submitted earlier in the computer printout for the Title IX Long-Term Economic Deterioration grant to the City of Los Angles were in error. The correct figures are:

Grant approved:	9/79	$ 685,000
First Recapitalization:	9/83	$ 500,000
Second Recapitalization:	9/85	$ 500,000
Total:		$1,685,000

The figures cited for pending RLF projects for first-time recipients were estimates. The actual figures are 48 pending proposals requesting a total of $22,345,000.

QUESTION

Are the qualifying criteria for an RLF the same as outlined on Attachment C?

ANSWER

Yes. Attachment C which was provided earlier outlines the current qualifying (i.e., area eligibility) criteria for an RLF.

QUESTION:

As you may know, Mayor Traficante of Cranston, Rhode Island, has worked hard to get the restriction modified as he has a definite plan for a second capitalization. Would Cranston be eligible for consideration if there was no restriction on second time recipients?

ANSWER:

Yes. The City of Cranston, Rhode Island, would be eligible for consideration for a second capitalization if there were no restriction on second-time recipients.

QUESTION:

Attachment D of the materials placed in the record shows that 25 RLFs have large undisbursed balances. The RLF funds are expected to be loaned within 2 years after they are received from EDA. How is it that Detroit has not disbursed any of the $500,000 granted 1 March 1980, nor has the Mahoning Valley Economic Development Corporation used any of an identical amount they received in September 1983?

ANSWER:

Attachment D listed the 25 RLF projects - out of 166 active RLFs - that either had not made an initial loan within six months or had not loaned the full amount of the RLF within two years of the effective date of the grant. A number of projects on the list had only small amounts of undisbursed funds.

The City of Detroit received a total of $1.5 million for its revolving loan fund. Our initial list (Attachment D) did not include a $1 million amendment transferring funds from a different component to the RLF. Our records show that all but $179,000 of the $1.5 million has been committed.

The Office of Inspector General (OIG) is examining several EDA funded projects in the City of Detroit, including the RLF, that are operating under a single letter of credit. Action on the City of Detroit's delayed RLF project will be taken once the OIG completes its review, if appropriate.

The RLF awarded the Mahoning Valley Economic Development Corporation (MVEDC) contained a provision that loans could be made only to firms locating in a specific industrial park within the grantee's area. To date, MVEDC has not be able to make a loan under this condition and has requested an amendment to the grant terms to delete this geographic requirement. While this request is under review, it is likely that it will be denied due to EDA's change of scope requirement, and that the money will be deobligated.

QUESTION:

Do these undisbursed balances indicate that EDA approved too much in the first place for these RLFs?

ANSWER:

At the time of these two grant awards, the City of Detroit and the two-county MVEDC area were suffering high unemployment, particularly in the manufacturing sector. The RLF grant awards were not excessive given the population sizes of each area.

QUESTION:

Please supply, for the record, an analysis of these undisbursed balances in RLF grants approved prior to September 30, 1983 and what action EDA plans to take with respect to these balances?

ANSWER:

Following is a listing of the delayed RLF projects with an indication of the action EDA intends to take on each:

Delayed Title IX-LTED/RLF Projects

Revolving Loan Fund (RLF) grantees are expected to start making loans within six months of the effective date of the grant. The full amount of the grant should be loaned within two years. Of the 166 active LTED/RLFs, twenty-five (25) do not meet these timeframes. Following is a list of the delayed projects organized by Regional Office.

Philadelphia Regional Office

Grantee	Date Approved	EDA$ ($000)	Undisbursed ($000)	EDA Action
1. State of West Virginia	9/84	750	750	The State has now closed loans totaling $400,000. EDA will continue to monitor grantee's progress.
2. Gov't. Dev. Bank, PR	9/80	1,000	104	EDA will initiate close-out procedures and request deobligation of unused funds if appropriate.
3. Harlem Commonwealth Council, NY, NY	9/80	273	213	EDA and the grantee have agreed to terminate the grant for convenience, based on lack of viable loans within extremely narrow target area.
4. Tri-County Council of Western Maryland	9/80	500	35	EDA and grantee are working to resolve audit problem, prior to disbursing remaining funds.
5. New York City, NY	9/80	4,000	400	Grantee will close loans totalling $385,000 this quarter and has approved additional loans exceeding the funds remaining.

Atlanta Regional Office

Grantee	Date Approved	EDA$ ($000)	Undisbursed ($000)	EDA Action
6. State of N.C.	9/79	500	200	EDA staff met with State officials in November. State has now committed remaining RLF funds.
7. Carribiana Council, FL	9/83	250	250	Grantee organization went out of business before it could start operating the RLF. EDA is reviewing an amendment request to permit the City of Miami to operate the fund as originally intended.

Grantee	Date Approved	EDA$ ($000)	Undisbursed ($000)	EDA Action
Denver Regional Office				
8. City of Denver, CO.	9/80	960	47	EDA staff monitoring this project report initial delay in start-up, but good progress now. Anticipate full disbursement shortly.
9. Econ. Growth Council, MT	8/81	500	3	Residual amount overlooked by grantee. Will be used for next loan closing.
Chicago Regional Office				
10. City of Detroit, MI	3/80	1,500	179	EDA staff and the Office of the Inspector General are investigating this and other EDA funded projects in Detroit. Will deobligate if appropriate.
11. Impact Seven, WI	9/80	900	225	EDA suspended action on this grant for two years pending resolution of audit issues. These issues have been resolved and the grantee is performing well.
12. Mahoning Valley Econ. Dev. Corp., Ohio	9/83	500	500	EDA is reviewing an amendment request to permit more timely use of funds. If amendment cannot be approved, EDA will deobligate if appropriate.
13. City of Ashtabula, Ohio	9/84	450	436	Grantee expended local share first. Has now requested drawdown for over $100,000 for new loan closings.
Seattle Regional Office				
14. Portland, OR	9/80	1,453	425	The grantee anticipates full disbursement by the end of FY 86.
15. San Francisco, CA	9/79	1,100	53	Full disbursement anticipated by end of FY 86.

Seattle Regional Office

Grantee	Date Approved	EDA$ ($000)	Undisbursed ($000)	EDA Action
16. Berkely, CA	9/80	500	51	Disbursements withheld for 2 years pending audit resolution. EDA Regional Office expects to reactivate project soon.
17. Guam	9/80	300	13	EDA will initiate close-out procedures and deobligate any remaining funds.
18. TELACU, CA	9/80	500	102	Disbursements withheld pending resolution of audit issues.
19. Fresno, CA	9/80	600	101	Disbursements withheld pending resolution of audit issues.
20. Baldwin Pk., CA	9/82	400	160	Anticipate full disbursement by end of FY 86.
21. Superior, CA	9/82	500	79	Anticipate full disbursement by end of FY 86
22. Economic Research Corporation, CA	9/82	275	115	Anticipate full disbursement within 2 months.
23. Operation Second Chance, CA	9/82	275	20	Disbursements withheld pending audit resolution. Residual amount may be deobligated, if appropriate.
24. Kern Co. CA	9/84	300	300	EDA staff is monitoring grantee's marketing effort to determine if further action is required.
Austin Regional Office				
25. City of Ft. Worth, TX	9/80	1,000	403	Narrow target area has inhibited loan activity. EDA has advised the grantee that deobligation may be requested if remaining funds cannot be used with 6 months.

National Telecommunications and Information Administration

International Telecommunications

QUESTION:

During FY 1985 and FY 1986, officials of the U.S. Government attended many international telecommunications meetings/conferences with foreign governments and international organizations. How many meetings were attended by officials of the Commerce Department? Who at the Department attended each of these meetings? Who led the U.S. delegation at each of these meetings? What was the purpose of each meeting? Where was each meeting held?

ANSWER:

Officials of the Commerce Department attended the following international telecommunications conferences and meetings with foreign governments and international organizations during FY 1985 and FY 1986 (through March 15, 1986):

World Administrative Radio Conference (WARC) on the Use of the Geostationary Orbit, 1985 Session (1985 Space WARC) and preparatory meetings; 17 meetings

Joint Tactical Information Distribution System (JTIDS) coordination meetings; 2 meetings

Organization of Economic Cooperation and Development (OECD); 6 meetings

International Telecommunication Union (ITU) Committee meetings, International Radio Consultative Committee (CCIR); 16 meetings, International Consultative Committee of Telephone and Telegraph (CCITT); 21 meetings

High Frequency Broadcasting Conference (HFBC) and preparatory meetings; 6 meetings

Medium Frequency Broadcasting Conference (MFBC) and preparatory meetings; 2 meetings

Mobile WARC and preparatory meetings; 3 meetings

Other ITU meetings; 4 meetings

Other Bilateral meetings; 3 meetings

Region 2 Administrative Radio Conference; 1 meeting

International Telecommunications Satellite Organization (INTELSAT); 2 meetings

International Maritime Satellite Organization (INMARSAT);2 meetings

Technical Assistance for Venezuela; 2 meetings

Conference on Inter-American Telecommunications (CITEL); 6 meetings

Market Oriented Sector Selective (MOSS) meetings; 9 meetings

Market Access Fact Finding (MAFF) meetings; 2 meetings

Pacific Telecommunications Council meetings; 2 meetings

Other meetings; 25 meetings

Attendees, location, purpose and the lead agency for each meeting are discussed below. All attendees are NTIA employees unless otherwise indicated.

Attendees/ Location	Purpose
1985 Space WARC and preparatory meetings:	
Parlow Urbany/ Jamaica	Participate in preparatory seminar for Space WARC Lead Agency: Department of State
Korvin/ Argentina	Participated in the Organization of Americas States (OAS) CITEL Permanent Technical Committee III, on Radiocommunications and discussed items of interest to Region 2 for the space conference. Lead Agency: Department of State
Urbany Walsh/ London	Members of U.S. Delegation to discuss Space WARC preparations with the United Kingdom and Canadian governments. NTIA provided necessary technical expertise for these discussions. Lead Agency: Department of State
Urbany Hatch/ Geneva	To participate in bilaterals with the Western European Organization. Lead Agency: Department of State
Walsh Urbany/ Paris, Geneva	Member of U.S. Delegation to discuss Space WARC preparations with France and Conference of European Postal and Telecommunications (CEPT) Administrations. NTIA provided necessary technical expertise for these discussions. Lead Agency: Department of State
Parlow Walsh/ Canada	Members of U.S. Delegation to discuss Space WARC preparations with the Canadian government. NTIA provided necessary technical

	expertise for these discussions. Lead Agency: Department of State
Hatch/ Venezuela, Colombia, Chile, Argentina	Participate in bilaterals with Venezuela, Colombia and Chile on preparations for Space WARC and presented a paper at the ITU Seminar in Argentina on Space WARC-85. Lead Agency: Department of State
Parlow Korvin/ Argentina	Participated in the ITU-sponsored preparatory seminar for the first session of the Space WARC. Detailed bilateral discussions were held with Brazil and several other South American Administrations. Lead Agency: Department of State
Urbany/ Washington, D.C.	Participate in bilateral negotiations with the United Kingdom to discuss preparations for Space WARC and discuss the results of the First Session of the High Frequency Broadcasting Conference. Lead Agency: Department of State
Parlow/ Germany	Met with German officials in Bonn to discuss Space WARC preparations and solicit support for U.S. proposals. Lead Agency: Department of State
Kraselsky Parlow/ Nairobi	Member of U.S. team of experts attending ITU sponsored seminar to discuss preparations for Space WARC which included bilateral discussions with several African countries. NTIA provided necessary technical expertise for the bilateral negotiations and made formal presentations at seminar. Lead Agency: Department of State
Parlow Walsh/ Japan, Thailand	Member of U.S. Delegation to ITU sponsored seminar on Space WARC preparations with the Asian community, which included bilateral discussions. NTIA provided necessary technical expertise for these discussions and made formal presentations at seminar. Lead Agency: Department of State
Markey Urbany/ Moscow Stockholm	Bilateral discussions in preparation for Space WARC. Other telecommunications issues were discussed. Lead: Ambassador Burch
Parlow/ Tokyo, Beijing, Hong Kong, New Delhi	Consultations with countries on Space WARC as part of U.S. team of experts lead by Ambassador Burch. Team presented latest U.S. proposals and exchanged views regarding Conference issues. Lead Agency: Department of State

Markey Urbany Walsh Kraselsky Macuk Gregg Parlow Hatch/ Geneva	Members of U.S. Delegation to the World Administrative Radio Conference of the Planning of the Geostationary Satellite Orbit and the Space Services Using It. NTIA provided the necessary technical expertise for the conference. Lead Agency: Department of State
Walsh/ Brussels	Participate in the Allied Radio Frequency Agency (ARFA) Working Group on preparations for the 1988 Space WARC. Lead Agency: Department of State
Walsh Gamble/ Brussels	To participate in the Joint Civil-Military meeting of ARFA. Addressed planning the use of the spectrum during emergencies and identified higher frequency bands for troposcatter systems. Lead Agency: Department of Defense

JTIDS Coordination Meetings:

Hinkle Seach/ Germany	Attend 3rd meeting of Tri-Nation (US/UK/FRG) JTIDS Ad Hoc working group to discuss European and U.S. JTIDS compatibility tests and analyses. Visit SEL, a major FRG electronics firm, to discuss precision distance measuring equipment and performance tests. Lead Agency: Department of Commerce
Hinkle Seach/ Bedford, MA	Attend the 4th meeting of Tri-Nation JTIDS Ad Hoc Working Group to discuss European and U.S. JTIDS compatibility test/results/analyses of UK testing. Lead Agency: Department of Defense

OECD Conferences:

Settle Flynn(ITA)/ Paris	Member of U.S. Delegation to OECD's Committee on Information, Computer and Communications Policy. Commerce provided policy and technical expertise. Lead Agency: Department of State
Settle Flynn(ITA)/ Paris	Member of U.S. Delegation to the working group of OECD's Committee on Information, Computer and Communications Policy. Discussion covered a possible declaration on information flow. Lead Agency: Department of State
Urbany Settle/ Paris	Member of U.S. Delegation to the OECD's Special Session on Telecommunications. Discussions covered several issues including the liberalization of telecommunications markets. Lead Agency: Department of State

Settle/ Paris	Member of U.S. Delegation to the OECD's Committee on Information, Computer and Communications Policy. Lead Agency: Department of State
Settle/ Paris	Member of U.S. Delegation to the working group of OECD's Committee on Information, Computer and Communications Policy. Lead Agency: Department of State
Settle/ Paris	Member of U.S. Delegation to OECD's working group on transborder data flows.

OCIR meetings, including Study Groups (SG) and International Working Parties (IWP):

Rush/ U.K.	To attend a meeting of OCIR IWP 6/1 to decide on a data base that could be used to test the propagation prediction program decided at the First Session of the HFBC. Lead Agency: Department of Commerce
Rush Hand/ Geneva	To attend meeting of OCIR IWP 6/13 to finalize the work of OCIR Study Group 6, pertaining to the propagation prediction method adopted by the First Session of the HFBC. Lead Agency: Department of Commerce
Korvin/ London	To present a U.S. submission on "Spacecraft-shaped Beam Antenna Patterns," to OCIR International IWP 4/1. Lead Agency: Federal Communications Commission
Mayher Lady/ Stockholm	Attended meeting of OCIR IWP 1/2 to review and update material to facilitate the introduction of effective spectrum management and computer-aided spectrum management for Final Meeting of OCIR Study Group 1. Lead Agency: Department of Commerce
Frazier/ Vancouver	To attend North American and International Radio Science meetings in preparation for OCIR USSG-5 Final Meeting. Lead Agency: Department of State
Mayher/ Geneva	Chaired working group meeting of OCIR IWP 1/2 to develop recommendations for frequency assignment data fields for the final meeting of OCIR Study Group 1. Lead Agency: Department of Commerce
Rush Spaulding/ Geneva	To attend the Final Meeting of OCIR Study Group 6. Lead Agency: Department of Commerce

Farrar/ Geneva	To participate in CCIR SG 2 Meeting. Provided technical support for review and update of reports and recommendations to be used with the International Radio Regulations. Lead Agency: National Aeronautics and Space Administration
Frazier Rush/ Geneva	U.S. Delegate to the Final Meeting of CCIR SG 5. Participate in deliberations as an Ad Hoc Chairman of Study Group 5G to present U.S. positions on interference prediction methods for international coordination of telecommunications systems. Lead Agency: Navy
Ng/ Geneva	Attend the Final Meeting of CCIR SG 4. Also, to develop additional orbit-spectrum conservation techniques for the 2nd Session of Space WARC and to serve as U.S. representative to IWP 4/3. Lead Agencies: Federal Communications Commission and COMSAT
Hatch/ Geneva	Delegate to CCIR SG 4. Provided technical support for review and update of fixed satellite service reports and recommendations to be used with the International Radio Regulations. Lead Agencies: Federal Communications Commission and COMSAT
Hurt/ Geneva	To participate as a U.S. delegate to CCIR SG 9. Provided technical support for review and update of fixed service data reports and recommendations for use with the International Radio Regulations. Lead Agency: Federal Communications Commission
Mayher/ Ottawa	To coordinate CCIR IWP 1/2 documents with Chairman of SG 1 for Final Meeting of CCIR SG 1. The objective of IWP 1/2 is to develop data, methods and computer-aided procedures for effective spectrum management. Lead Agency: Department of Commerce
Matos Vorhies/ Geneva	Delegates to CCIR Study Group 8. Provided technical support for review and update of Mobile Services reports and recommendations to be used with the International Radio Regulations. Lead Agencies: Department of Commerce and Rockwell
Utlaut Cohen Mayher Berry/ Geneva	Delegates to Final Meeting of CCIR SG 1. Provide technical support for review and update of spectrum management reports and recommendations to be used with International Radio Regulations. Lead Agency: Department of Commerce

Rush/ Geneva	Delegate to CCIR SG 3 meeting. Lead Agency: Department of Commerce

CCITT meetings including Study Groups (SG):

Fereno/ London	Member of U.S. Delegation to the CCITT SG VII (Data Communications Networks). NTIA provided necessary technical expertise for the conference. Lead Agency: Department of State
Fereno/ Geneva	Member of U.S. Delegation to the CCITT SG S (Structure of the CCITT). NTIA provided necessary technical expertise for the conference. Lead Agency: Department of State
Hemrick/ Ottawa	Attend CCITT meeting on Open Systems Interconnection (OSI) network service definition, network addressing, and network layer architecture and protocols. Lead Agency: Department of Commerce
Fereno Hemrick Seitz/ Geneva	Member of U.S. Delegation to the CCITT SG VII and SG XII (Transmission Performance of Telephone Networks and Terminals). NTIA provided necessary technical expertise for the conference. Lead Agency: Department of State
Fereno Hemrick de Haas/ Spain	Member of the U.S. Delegation to the CCITT Plenary Assembly. The Plenary reviewed work of the various study groups and developed a report of technical recommendations for telecommunications systems. NTIA provided necessary technical expertise for the conference. Lead Agency: Department of State
Fereno de Haas/ Geneva	Member of the U.S. Delegation to the CCITT SG XVIII which covers progress in developing standards for digital networks. Provided necessary technical expertise for the conference. Lead Agency: Department of State
Hemrick/ Boulder,CO	CCITT SG VII Rapporteur's Group on Question 7/VII. To refine final text of Recommendation X.32 in preparation for submission to SG VII. Lead Agency: Department of Commerce
Seitz/ Boulder,CO	CCITT SG VII, Rapporteur's Group, to develop Quality of Service parameters and recommended values for both circuit- and packet-switched public data networks. Lead Agency: Department of Commerce
de Haas Seitz/	To attend CCITT SG XI, which develops switching and signaling in the public telephone network and

Geneva	Integrated Services Digital Network (ISDN). Lead Agency: Department of Commerce
Fereno/ Geneva	Member of U.S. Delegation to the CCITT SG III (General Tariff Principles Including Accounting) and Liaison Officer to SG VII. NTIA provided necessary technical expertise for the study group activities. Lead Agency: Department of State
de Haas/ Kyoto, Japan	Participate in meeting of CCITT SG XVIII, which develops standards for ISDN and digital telephony. Lead Agency: Department of Commerce
Fereno/ London	Co-chair SG VIII (Terminal Equipment for Telematic Services) Working Party. NTIA provided the technical expertise for the study group. Lead Agency: Department of State
de Haas/ Geneva	Participate in meeting of CCITT SG XI, to develop switching and signaling in public telephone network and ISDN. Lead Agency: Department of Commerce
Fereno/ Geneva	Member of the U.S. Delegation to the Preparatory Committee for the World Administrative Telegraph and Telephone Conference (WATTC). The WATTC is responsible for providing new text for International Telephone and Telegraph Regulations. Government representative for CCITT SG VIII. Lead Agency: Department of State
Fereno/ Geneva	Member of U.S. Delegation to CCITT SG III and SG VII. Lead Agency: Department of State
de Haas/ Boulder	Participate in Special Rapporteur's Groups of CCITT SG XI to develop draft Recommendations dealing with aspects of ISDN signaling. Lead Agency: Department of Commerce
de Haas/ Geneva/	Participate in CCITT SG XVII to develop Recommendations for data transmission over the Public Switched Telephone Network. Lead Agency: Department of Commerce
de Haas/ Geneva	Participate in CCITT SG XI to develop switching and signaling in the public telephone network and ISDN. Lead Agency: Department of Commerce
Hemrick/ Boulder	Participate in CCITT SG VII's Interim Rapporteur Group on Directory Systems to develop Recommendations on Directory Services for

	Electronic Mail. Lead Agency: Department of Commerce
de Haas/ London	Participate in ISDN Group of Experts to develop Recommendations on ISDN. Lead Agency: Department of Commerce
de Haas/ Munich	Participate in CCITT SG XI, WP 6 to develop CCITT Recommendations for subscriber loop signaling for ISDN. Lead Agency: Department of Commerce

HFBC and Preparatory Meetings:

Rush Washburn Stewart Manginelli/ Geneva	To attend the first International Frequency Registration Board (IFRB) Technical Session Information Meeting on HFBC. The IFRB described the progress they made in implementing the decisions taken at the First Session of the HFBC. Lead Agency: Department of State
Rush/ London Geneva	To meet with U.K., FRG, Canadian and Dutch officials concerning IFRB progress in implementing decisions of the First Session of the HFBC. Following the London meeting, a meeting with the IFRB took place in Geneva to review status of IFRB activities. Lead Agency: Department of State
Rush/ London	To attend a meeting of western broadcasters concerned with strategy to be adopted for the Second Session of the HFBC. Representatives from U.K., FRG, France, Canada, Netherlands, Japan, and U.S. were in attendance. Lead Agency: Department of State
Cohen/ Geneva	To attend meeting of the HFBC Intersessional work. Pre-conference meeting with IFRB specialists. Lead Agency: Departement of State
Cohen Kimball Slye Palmer Rush Washburn Berry Urbany/ Geneva	To participate in and provide technical expertise to the 2nd IFRB HFBC informational Meeting and the HFBC Western European and other groups (WEOG) Meeting. Lead Agency: Department of State
Rush/ Brazil	To attend bilateral discussion (U.S./Brazil) concerning positions for the Second Session of the HFBC. Lead Agency: Department of State

MFBC and Preparatory Meetings:

Matos/ Lima, Peru	To attend an IFRB seminar related to the implementation of the Final Acts of the Regional Administrative MFBC. Lead Agency: Department of State
Matos Kimball/ Ottawa	To attend bilateral meetings in preparation for ITU MFBC. Lead Agency: Department of State

Mobile WARC and Preparatory Meetings:

Moran Matos/ Brussels	To attend the Allied Radio Frequency Agency's Joint Working Group covering preparations for the 1987 ITU WARC on Mobile Services. Lead Agency: Department of State
Vorhies/ Washington, DC	To participate in bilateral discussions with Canadian delegation concerning mobile satellite technical issues. Lead Agency: Federal Communications Commission
Palmer Vorhies/ Ottawa	To participate in bilateral discussions with the Canadians on respective administration preparations for the 1987 WARC on Mobile Services. NTIA provided necessary technical expertise for the discussions. Lead Agency: Department of State

Other ITU Meetings:

Markey Urbany Fereno Wasilewski O'Rorke/ Washington, DC	To participate in the ITU's World Plan Committee Meeting. The Administrations met to discuss their future telecommunications needs. Lead Agency: Department of State
Urbany/ Washington, DC	Member of panel of telecommunications experts at the ITU Legal Symposium. Lead Agency: Department of Commerce
Urbany/ Geneva	Member of the U.S. Delegation to the ITU's Administrative Council. Provided technical expertise in advising Administrative Council on its responsibility in formulating policy and overseeing the work of the ITU. Agency Lead: Department of State
Moran/ Geneva	Member of the U.S. Delegation to the Panel of Experts Meeting on the ITU Constitution. The Panel is to provide a Constitution which will then be

submitted to the Administrative Council.
Lead Agency: Department of State

Other Bilateral Meetings:

Urbany/ Rome	Member of U.S. Delegation to discuss telecommunications issues with the Italians. NTIA presented Executive Branch position on separate satellite systems. Lead Agency: Department of State
Moran Walsh/ Mexico City	Bilateral negotiations with the Mexican government on various telecommunications issues. NTIA provided necessary technical expertise for the discussions. Lead Agency: Department of State
Urbany Beaird Shaw Parlow/ Washington, DC	Participated in the bilateral negotiations with Canadian government officials on several international telecommunications issues. Lead Agency: Federal Communications Commission

Region 2 Administrative Radio Conference:

Matos/ Ottawa	To participate in bilateral meetings with Canada. Lead Agency: Department of State

INTELSAT Meetings:

Emery/ Norway	Participate as an observer at the INTELSAT Board of Governors Meeting. Instructed U.S. Signatory to INTELSAT, Communications Satellite Corporation (COMSAT), on issues of national interest. Lead Agency: Department of Commerce
Kraselsky/ Washington,DC	Participated as an Observer to INTELSAT's 65th Board of Governors Meeting. Instructed the U.S. Signatory to INTELSAT, COMSAT, on issues of national interest. Lead Agency: Department of Commerce

INMARSAT Meetings:

Emery Fereno/ London	Participate in panel of experts meeting in preparation for Assembly of Parties. Lead Agency: Department of Commerce
Emery Fereno/ London	U.S. Observer to the INMARSAT Assembly of Parties Meeting. Instructed the U.S. Signatory to INMARSAT, COMSAT, on issues of national interest. Lead Agency: Department of Commerce

Technical Assistance for Venezuela:

Lady/ Venezuela	Provide technical assistance to the Ministerio de Transporte y Communicaciones (MTC) on Spectrum Management and Computer Aided Techniques. Lead Agency: Department of Commerce
Winkler Hurt Frazier/ Venezuela	To propose a spectrum management system and provide education in using that system to the MTC. Lead Agency: Department of Commerce

CITEL Meetings:

Moran/ Mexico City	Member of U.S. Delegation to the OAS's Conference on Inter-American Telecommunications (CITEL) which facilitates the orderly development of telecommunications in the Western Hemisphere. NTIA provided necessary technical expertise for the conference. Lead Agency: Department of State
Moran/ Rio De Janeiro	Member of U.S. Delegation to the CITEL' Permanent Technical Committee I. NTIA provided necessary technical expertise for the conference. Lead Agency: Department of State
Rush/ Lima, Peru	To attend the meeting of CITEL's Permanent Technical Committee (PTC) II. Presented a paper describing the impact of the [illegible] broadcast planning process on selected Region 2 broadcasting requirements. Lead Agency: Department of State
Moran/ San Paulo, Brazil	Member of the U.S. Delegation to CITEL's Permanent Technical Committee I. NTIA provided necessary technical expertise for the conference. Lead Agency: Department of State
Palmer Rush/ Brazil	Member of U.S. Delegation to CITEL. Meeting covered progress and possible positions to be taken at the 1987 HFBC. Also held bilateral discussions with the Brazilians concerning preparations for the HFBC. Lead Agency: Department of State
Matos/ Venezuela Brazil Columbia	To attend bilaterals on ITU 86 MFBC. To attend OAS/CITEL PTC II on MF Broadcasting. Lead Agency: Department of State

MOSS Meetings:

Prestowitz(ITA) Beaird Mu(ITA)/ Tokyo	Participated and chaired meeting during the MOSS Talks with the Japanese Government. Commerce provided expertise on value-added services and cellular radio systems. Lead Agency: Department of Commerce
Beaird Gregg Pepper/ Tokyo	Head delegation for technical working group with Japan's Ministry of Posts and Telecommunications (MPT). Lead Agency: Department of Commerce
Prestowitz(ITA) Utlaut Mu(ITA) Smith(ITA) Beaird/ Tokyo	Participated and chaired meeting during the MOSS Talks with the Japanese Government. Commerce provided expertise on value-added services and cellular radio systems. Lead Agency: Department of Commerce
Prestowitz(ITA) Beaird Mu(ITA)/ Indonesia Tokyo	Represent Assistant Secretary Markey at the Maitland Commission's meeting concerning the ITU's Center for Communications Development. Participated and chaired meeting during the MOSS Talks with the Japanese Government. Commerce provided expertise on value-added services and cellular radio systems. Lead Agency: Department of Commerce
Prestowitz(ITA) Beaird) Mu(ITA) Smith (ITA)/ Tokyo	Participated and chaired meeting during the MOSS Talks with the Japanese Government. Commerce provided expertise on value-added services and cellular radio systems. Lead Agency: Department of Commerce
Prestowitz(ITA) Beaird Mu(ITA)/ Tokyo	Participated and chaired meeting during the MOSS Talks with the Japanese Government. Commerce provided expertise on value-added services and cellular radio systems. Lead Agency: Department of Commerce
Prestowitz(ITA) Beaird Mu(ITA)/ Tokyo	Participated and chaired meeting during the MOSS Talks with the Japanese Government. Commerce provided expertise on value-added services and cellular radio systems. Lead Agency: Department of Commerce
Beaird/ Tokyo, Tanzania	Head delegation for technical working group with Japan's MPT; participate in ITU Conference on Telecommunications and Economic Development. Lead Agency: Department of Commerce

Prestowitz(ITA) Beaird	Participate in MOSS talks with Japanese Government. Lead Agency: Department of Commerce

MAFF Meetings:

Joyce Goldfield(ITA) Beaird Robinson Urbany DeBakey(ITA) Lamoriello(ITA) Stechschulte(ITA)/ Munich, Germany	Co-chair Market Access Fact-Finding discussions with the FRG's telecommunications officials. Lead Agency: Department of Commerce
Joyce Goldfield(ITA) Beaird Shaw Utlaut Urbany DeBakey(ITA) Denny-Brown(ITA) Kellegher(ITA) Henry(ITA) Vargo(ITA)/ Washington, D.C.	Co-chaired the Second Round of Market Access Fact-Finding discussions with the FRG's telecommunications officials. The liberalization of value-added networks and the procedures for procurement of telecommunications equipment were some of the issues addressed. Lead Agency: Department of Commerce

Pacific Telecommunications Council Meetings:

Markey Hurd/ Hawaii	Keynote speaker at the Pacific Telecommunications Council (PTC). The PTC allows an informal forum for governments and private industry representatives to discuss common telecommunications problems in the Pacific Basin. A panel was also chaired by a NTIA representative. Lead Agency: Department of Commerce
Urbany Hurd/ Hawaii	NTIA chaired international panels of experts on the results of the First Session of Space WARC and communications development at the PTC. Lead Agency: Department of Commerce

Other Meetings:

Utlaut/ London	NTIA respresentative to meeting of NATO Advisory Group for Space Research and Development (AGARD) Symposium on Target Signatures and Electromagnetic Wave Propagation Panel (EPP). Lead Agency: Department of Defense
Beaird Shaw/	Lead bilateral discussions with the Canadians concerning Canadian Satellite Communications, Inc.

Ottawa	(CANCOM) and other Copyright issues. Lead Agency: Department of Commerce
Farrar Parlow/ Orlando, FL	To attend the Space Frequency Coordination Group and discuss the recent analyses of power flux density (pfd) limits for U.S. systems and solicit the support of other administrations in collecting the necessary data to determine the applicability of the analysis to other parts of the world. Lead Agency: National Aeronautics and Space Administration
Markey Urbany Moran Settle/ Washington, DC	Meeting of the U.S./European Commission's (EC) High Tech Working Group to discuss the recent changes in the U.S. telecommunications industry. The U.S. representative discussed the EC's ongoing telecommunications research and development programs. Lead Agency: Department of Commerce
Farrar/ Zurich, Switzerland	To present a paper at the Electromagnetic Compatibility (EMC) symposium on the analysis carried out by NTIA on power-flux-density limits. Lead Agency: Department of Commerce
Hurd/ Mircronesia	Assessment of the telecommunications infrastructure in several Micronesian countries (Marshall Islands, Federated States of Micronesia). NTIA led the private/public sector of telecommunications experts. Lead Agency: Department of Commerce
Urbany O'Rorke/ London	Member of U.S. Delegation to the North Atlantic Facilities Planning Process. Presented the President's Determination on international satellite systems separate from INTELSAT to European Post Telegraph & Telephone (PTT). Lead Agency: Federal Communications Commission
Urbany/ Dallas, TX	Keynote speaker at the meeting of the International Telecommunications Users Group. Discussed U.S. international telecommuncications policy and the benefits users experience in a liberalized telecommunications market. Lead Agency: Department of Commerce
Hurd/ Netherlands Antilles	Caribbean Telecommunications Council Program to address the telecommunications needs of the region. Lead Agency: Department of Commerce
Markey Cole/ France	Represent NTIA and participate as a keynote speaker at INTELVENT 85. Conference provided the opportunity to discuss with other government and

	industry memebers the evolution, impact and future of international competition in telecommunications services, facilities and equipment. Lead Agency: Department of Commerce
Fereno/ Munich	Represent DOC at International Telecommunications Users Conference. Telecommunications needs were discussed by the international telecommunications business community. Lead Agency: Department of Commerce
Matos/ London	To participate in an International Maritime Organization (IMO) meeting preparing IMO positions on ITU regulatory aspects of Future Global Distress and Safety System. Spokesman on ITU matters. Lead Agency: Coast Guard
Utlaut/ Brussels	Meeting with European Commission-CEPT concerning trade and standards issues. Lead Agency: U.S. Trade Representative
Parlow Mayher Lady Roosa Santilli Frazier/ Washington,DC	Provided briefings to the Peoples Republic of China Delegation on the U.S. National Spectrum Organization, engineering, functional requirements, and frequency assignment process. Also discussed computer hardware, data base requirements, and automation in spectrum management. Lead Agency: Department of Commerce
Ng/ Beijing,	To draft a task statement for the Peoples Republic of China (PRC) Government for a feasibility study on China potential satellite communications systems for the PRC. Lead Agency: Department of Commerce
Mayher/ Hammamett, Tunisia	Presented paper on National Spectrum Management and Computer-Aided Techniques and participated in Arab Telecommunications Union (ATU) seminar to present latest spectrum management data and automation recommendations to Arab Countries. Lead Agency: Department of Commerce
Hurd Johnson(ITA)/ Jamaica	Lead a private/public sector team of telecommunications experts to perform a field assessment of the telecommunications infrastructure of Jamaica. Lead Agency: Department of Commerce
Hurt/ San Diego, CA	Presentation of a paper on Geostationary Satellite Orbit Analysis Program (GSOAP) Model at American Institute of Aeronautics and Astronautics (AIAA) 11th Communications Satellite Systems. Lead Agency: Department of Commerce

Kimball/ Paris Munich	Visit European Space Agency, Eutelsat Headquarters and CNET and FRG Space Agency (DFVLR). Lead Agency: Department of Commerce
Joyce Urbany/ Geneva London	Meet with ITU officials. Discuss U.S. positions on competitive international Satellite Systems with the U.K.'s Ministry of Communications. Lead Agency: Department of Commerce
Beaird/ Tanzania	Attend Maitland Commission meeting. Lead Agencies: Departments of State and Commerce
Pepper/ London	Present a paper at conference sponsored by the British Government on New Communication and Information Technologies. Lead Agency: Department of Commerce
Shaw/ Mexico City	Participate in meeting of Working Group on Intellectual Property Issues related to telecommunications. Lead Agency: Department of State
Walsh/ Brussels, London	Participate in ARFA meeting and bilateral discussions with UK officials. Lead Agencies: Departments of Defense and Commerce
Sullivan(ITA)/ Tokyo	Review progress under the agreement with Nippon Telephone and Telegraph Lead Agency: United States Trade Representative

QUESTION:

What Department/Agency of the U.S. Government should lead our delegations to various international telecommunications meetings? What officials should attend these meetings? How should the U.S. ensure that each of these meetings further our international telecommunications policy?

ANSWER:

Delegations should be led and staffed by agencies and personnel with expertise appropriate to the nature of the discussions involved. Telecommunications is highly technical in nature, undergoing dynamic change through the application of new technology, and of increasing commercial and economic importance to all Administrations. Accordingly U.S. delegations should be lead by agencies possessing in-depth technical, commercial, and regulatory expertise as well as policy competence for domestic and international telecommunications matters, including the Departments of Commerce and State, the United States Trade Representative (USTR), and the Federal Communications Commission (FCC).

The Department of Commerce possesses the expertise and policy competence to lead and manage most international discussions relating to international telecommunications, such as:

- possessing a highly skilled staff in engineering, information theory, radio science, trade, regulatory economics and telecommunications law;
- conducting analyses in telecommunications sciences and engineering through our research facilities;
- developing a comprehensive telecommunications protocol with China;
- leading both the MOSS (Market Oriented Sector Selective) negotiations with Japan and the MAFF (Market Access Fact Finding) discussions with Federal Republic of Germany, Italy and other countries.

By more clearly focusing leadership based on technical and policy expertise, the United States can improve its ability to set clear cut objectives, and engage the international telecommunications community in productive discussions and negotiations.

International Telecommunications

QUESTION:

How often has the Senior Interagency Group (SIG) met since November, 1984. Are there any ways to improve the effectiveness of the SIG?

ANSWER:

Since November 1984, the Senior Interagency Group has met twice and covered such issues as the U.S. proposal for the 1985 Space WARC, separate satellite systems, Maitland Commission and communications development. The Senior Interagency working groups (Intellectual Property Protection, Transborder Data Flows, Development and Communications) have met approximately twenty times.

The Senior Interageny Group and working groups have been effective in coordinating U.S. Government efforts on several telecommunications matters. Existing arrangements are satisfactory but will be kept under review.

QUESTION:

In November of 1984, the Departments of State and Commerce reached an understanding on responsibility for international telecommunications matters. How has the understanding worked? Are any improvements necessary?

ANSWER:

The Commerce/State Agreement is working satisfactorily but will be kept under periodic review. It provides an effective framework for carrying out our respective responsibilities for international telecommunications while recognizing there can be overlap or complimentary activities according to the issues involved. Under the Agreement, a steering group was established to guide the work of the Senior Interagency Group (SIG) for International Communications and Information Policy. The three member steering group consists of the SIG Cochairs (Under Secretary of State for Security Assistance, Science and Technology, and Assistant Secretary of Commerce for Communications and Information) and Vice Chair (United States Information Agency).

The steering group is an effective, high level mechanism for reviewing international telecommunication matters of broad interest and for directing the activities of the SIG and its working groups.

Bureau of the Census

The 1987 request includes a base adjustment of $27.6 million for the 1990 Decennial Census. While it is appreciated that the decennial census is mandated, that's a heavy increase to add to the budget under the guise of a base adjustment.

QUESTION:

Am I correct that the current estimate of the overall cost of the 1990 Decennial Census is $1.8 billion, which is 80% greater than the actual $1 billion overall cost of the 1980 Decennial Census? Since only a 10% increase in population is anticipated, and President Reagan boasts of holding inflation to an average of 3.8% per year since 1982, what accounts for this huge increase since 1980?

ANSWER:

The adjustment of $27.6 million for the decennial census and corresponding amounts for other periodic programs are not all adjustments to base in the traditional sense. These programs have cyclical funding requirements, and the adjustment amount represents the difference between the current year appropriation and the budget year estimate planned in the previous budget, plus the normal adjustments to base. Thus, the increase or decrease column represents program changes from previously planned cyclical funding levels.

The overall cost of the 1990 census is estimated at $1.8 billion which is 64% greater than the 1980 census cost of $1.1 billion. The increase includes an anticipated increase of 20% in housing units (23% of cost), actual cost updates from the last census cycle through 1987 (37% of cost), and projected inflation rates of about 4% for 1988 through 1993 (4% of cost).

QUESTION:

What inflation rate was used for the 1987 request for the decennial census and what amount is included for inflation?

ANSWER:

The 1987 request includes 2.94% inflation for 1987 at $648,000.

QUESTION:

Over the last 30 years, the decennial census has generally changed from a labor intensive direct enumeration by a census taker to a do-it-yourself format by mail. Yet, the costs of the decennial have skyrocketed from a total cost of $222 million for the 1970 decennial to the $1.8 billion for the 1990 census. How much of this additional cost is attributable to add ons, such as additional data, and the promotion and outreach efforts, etc.?

ANSWER:

Coverage improvement efforts since the 1970 census account for approximately 40% of total census costs. These improvements were designed to enhance census coverage through the use of improved communications, special publicity, record checks to identify missed persons and addresses, and an expanded undercount evaluation/estimation procedure.

QUESTION:

There is a $13,625,000 increase for data processing systems that includes the decennial census as well as data entry replacement equipment at Jeffersonville, Indiana. These procurements were shifted forward from the original budget schedule for 1989.

In view of the overall constraints on the budget, couldn't we defer these procurements to fiscal 1988, which is halfway between your original (1989) and revised (1987) schedule?

ANSWER:

No. A delay would jeopardize the success of the missions that are supported by this equipment.

The data entry equipment replaces hardware systems that are totally deficient with respect to overall capacity, technical capability, and service support. In fact, our experience with the existing systems has caused operational concerns so serious that we cannot afford to delay their procurement beyond 1987.

Procurement for the decennial hardware must be started in 1987. The 1987 equipment requirements have long lead-times (e.g., check-in laser sorters), or represent integral components of larger systems (e.g., FOSDIC (data input) and automated cameras), or are necessary for completion of early activities (e.g., data entry for the address listing operation). Most of the system expenditures will remain in 1988 and 1989.

Sydney Trade Center

I will place in the record a letter I received from the U.S. Chamber of Commerce, along with a telex enclosed with the letter from the American Chamber of Commerce in Australia.

[The letter and enclosures follow:]

U.S. CHAMBER OF COMMERCE

International Division

March 11, 1986

Honorable Senator Ernest F. Hollings
Senate Russell Office Building - Room 125
Constitution Avenue between Delaware & First St., N.E.
Washington, D.C. 20510

Dear Senator Hollings:

It is my pleasure to forward to you the attached telex from the American Chamber of Commerce in Australia regarding the proposed closure of the U.S. Trade Center in Sydney, part of the Department of Commerce Budget proposal.

Representing over 1,400 U.S. firms operating in Australia, the Amcham is one of the most active and effective of the 56 worldwide Amchams among our membership. Amcham Australia contributes significantly to U.S. export efforts. While Amchams are completely independent of the U.S. Chamber of Commerce in policy, we often assist them convey their point of view to Congress.

As their telex to you indicates, Amcham Australia strongly opposes the elimination of the Sydney Trade Center.

We hope you and your colleagues on the subcommittee will give their views serious consideration during your deliberations.

Thank you for your attention to this matter.

Sincerely,

Mark Van Fleet

Mark Van Fleet
Director, Asia Pacific Affairs

AMERICAN CHAMBER OF COMMERCE IN AUSTRALIA GRAVELY CONCERNED ABOUT PROSPECT OF CLOSURE OF U.S. TRADE CENTER IN SYDNEY.

THIS CHAMBER HAS RECENTLY BEEN AWARDED COMMERCE DEPARTMENT'S 'TO PEACE AND COMMERCE' MEDAL WHICH UNDERLINES READINESS TO BEND EVERY EFFORT TO EXPAND U.S. MARKETS HERE.

THIS ASSOCIATION OF 1400 MEMBERS REPRESENTING OVER 9 BILLION DOLLARS IN U.S. INVESTMENT IS PRIMARILY INTERESTED IN FURTHERING AMERICAN TRADING INTERESTS IN AUSTRALIA AND THE REGION. AND IN THIS REGARD STRONGLY SUPPORTS BUDGETARY RESTRAINTS PROVIDED THESE CURBS DO NOT LAY LOW U.S. FRONT LINE EFFORTS TO RETAIN AND EXPAND MARKETS.

AUSTRALIA IS ONLY COUNTRY IN AREA WITH WHICH U.S. HAS FAVORABLE TRADE BALANCE AND ONE OF FEW DEPENDABLE AND CONSISTENT ALLIES IN TRADE AND STRATEGIC ISSUES IN REGION.

CHAMBER'S CONCERN SPRINGS FROM FACT THAT CLOSURE OF TRADE CENTER WHILE EFFECTING BUDGET CUTS ALSO EFFECTS SIGNIFICANT POLICY CHANGE NOT MANDATED BY GRAMM-RUDMAN-HOLLINGS LEGISLATION.

THIS CHAMBER JOINS WITH AMBASSADOR LANE AND OVER 1000 SATISFIED AMERICAN EXHIBITORS IN URGING YOUR COMMITTEE TO REJECT PROPOSED SYDNEY TRADE CENTER CLOSURE IN LIGHT OF FOLLOWING:

SMALL FIRMS AND NEW-TO-MARKET COMPANIES WILL BE DETERRED FROM SEEKING TO ENTER AUSTRALIAN MARKET BECAUSE OF HIGH COST OF ALTERNATIVE EXHIBITION SPACE AND RELATED PROFESSIONAL SERVICES.

AT DOC REQUEST TRADE CENTER HAS ALREADY SLASHED 15$ OF ITS FY 1986 BUDGET.

IN PAST 3-1/2 YEARS, 1358 U.S. COMPANIES HAVE EFFECTIVELY USED TRADE CENTER FACILITIES. THEY HAVE RECORDED SALES OFF THE FLOOR IN EXCESS OF &20MILLION. THESE RESULTS HAVE BEEN ACHIEVED AT A NET COST OF APPROXIMATELY &180,000 A YEAR AFTER OFFSETTING AS MUCH AS 70$ OF TOTAL COST RECOUPED FROM EXHIBITORS. IN EFFECT ABOUT TWO THIRDS OF TRADE CENTER OPERATING COSTS ARE PAID BY EXHIBITORS. PUT ANOTHER WAY, THE COST TO U.S. GOVERNMENT IS ONLY 3$ OF REALIZED SALES. AFTER SHOW SALES HAVE BEEN UNOFFICIALLY REPORTED TO BE AS HIGH AS 10 TIMES THAT OF OFF-THE-FLOOR SALES.

80$ OF RECRUITMENT OF ALL TRADE EXHIBITS IS GENERATED BY TRADE CENTER STAFF IN AUSTRALIA.

IN RESPONSE TO ADMINISTRATION'S URGING FOR GREATER STATE INVOLVEMENT IN TRADE PROMOTION, 18 STATES HAVE UTILIZED TRADE CENTER FACILITIES IN AUSTRALIA FOR STATE-ORGANIZED TRADE MISSIONS WHICH UNDERLINES FACT THAT STATES VIEW THE TRADE CENTER AS AN INTERGRAL PART OF THEIR INTERNATIONAL MARKETING STRATEGY.

CHAMBER BELIEVES THAT RECENT TREND IN TRADE CENTER MANAGEMENT TOWARD INCREASED COST RECOVERY WILL CONTINUE AND BASED ON PROPOSED JOINT VENTURE BETWEEN FCS AND CHAMBER IN WHICH CHAMBER WILL MAKE FINANCIAL CONTRIBUTION AND ASSIST IN PROMOTING THE FACILITY ACROSS AUSTRALIA, WE BELIEVE TRADE CENTER COSTS WILL BE FULLY RECOVERABLE BY FY 1988.

CHAMBER NOTES THAT OFF-THE-FLOOR AND PROJECTED SALES OVER LAST 3-1/2 YEARS WERE OVER &200 MILLION, EMBRACING 15 INDUSTRIES RANGING FROM AGRICULTURAL AND MINING EQUIPMENT TO AVIONICS AND TELECOMMUNICATIONS, WHICH WE BELIEVE GENERATED SOME 10,000 U.S. JOBS BASED ON DOC JOB CREATION FORMULA.

RESPECTFULLY,
KEVIN BANNON
EXECUTIVE DIRECTOR
AMERICAN CHAMBER OF COMMERCE IN AUSTRALIA
C/O AT+T INTERNATIONAL (AUSTRALIA) LTD

The American Chamber notes that it has recently been awarded the Department's "To Peace and Commerce" Medal. Apparently Commerce awards hollow medals if you follow up by eliminating a major means to the expansion of U.S. markets in Australia.

Question:

Why is it again proposed to close the Sydney Trade Center? Please take a look at the comments of the American Chamber and indicate in the record if they are correct.

Answer:

The Sydney Trade Center is proposed to be privatized because one of this Administration's highest budget priorities is to support privatization of commercial functions whenever possible. This serves to reduce pressure on the Federal deficit, while maintaining private sector participation in important commercial activities. A careful review was made of all trade promotion activities, and the Trade Centers in Sydney and Sao Paolo were identified as units which now require subsidies to operate, and which could be closed without damage to our overall commercial interests.

We appreciate the dynamic role the Chamber serves in promoting U.S. exports, and we encourage it to consider taking over this important commercial function on a privatized basis. We would lend every support to the Chamber's initiative, within restricted budget limits mandated by Congress, and would expect our seven U.S. & FCS officers and 14 FSNs in Australia to continue to operate as effectively in this market as do the commercial sections in the vast majority of our posts which similarly have no exhibition facilities of their own. As to the Chamber's comments, we do not argue with the figures cited by the Chamber. However, we are not as optimistic regarding the possibility that the Trade Center will achieve full-cost recovery by 1988.

Regarding our commercial promotion programs, we can confirm from previous experience that even where we have relinquished our own facilities the level of exhibitions and other innovative programs has remained high.

Office of the Secretary

Consolidation of Public Affairs Activities

Last year, the Department submitted a reprogramming that would have consolidated the Department's public affairs activities. As you know, Senator Weicker and I opposed the inclusion on NOAA and NBS in the consolidation. We are informed that the Department then decided to hold off on the entire proposal.

QUESTION:

Am I correct that the Department's 1987 estimates maintain the public affairs staffs, and particularly, NOAA's and NBS', as they are today?

ANSWER:

The 1987 estimates do maintain the public affairs staffs. The Department is conducting its efforts to realize savings while maintaining services. We are continuing to look at the benefits of consolidating public affairs offices. It should be remembered that the Committee did agree with the Department's reprogramming proposal, with the exception of NBS and NOAA, and we may begin to consolidate the other public affairs offices during the year.

QUESTION:

Is it also understood that any further proposals to consolidate public affairs activities in the Department will be submitted to the Committee pursuant to our reprogramming requirements?

ANSWER:

The Committee has already concurred in a consolidation of public affairs activities with the exception of NOAA and NBS and has invited us to resubmit such a proposal. If we decide to move forward with a consolidation different from that agreed to by the Committee, we will submit a reprogramming.

National Bureau of Standards

QUESTION:

Do you believe the private sector would continue the work conducted by the Center for Fire Research at a level equal to or greater than that of the Center's?

ANSWER:

I believe that once Congress agrees to terminate direct Federal funding for the Center for Fire Research, the private sector and State and local governments will step in and fund Fire Research at a level equal to or greater than that of the Center. The reasons for this are that the private sector has economic incentives to assure improved fire safety and that fire safety is traditionally overseen by State and local governments.

QUESTION:

What is the state of the art in fire toxicity and what is the CFR doing to advance our knowledge in this area?

ANSWER:

CFR has sponsored development of two test methods for evaluating the toxic potency of smoke - the NBS and University of Pittsburgh methods. These test methods are designed to identify products with extreme toxic potency and can be used by industry for preliminary screening of new materials or products to see if there is a potential problem. A very small number of materials have thus far been identified as having extreme toxic potencies. The Center is currently developing concepts for using toxicity test findings in estimates of hazard for a given environment and for a given type of fire. This work is proceeding rapidly and a preliminary report should be available by the end of fiscal year 1986.

QUESTION:

We know that more fire victims die from combustion by-products than from flames. What role does fire toxicity play in overall fire risk and what is the Center doing to improve overall fire safety for the public?

ANSWER:

It is true that most people die in fires from smoke inhalation rather than from burns. All fire smoke is toxic whether from natural or synthetic products. The hazard to life from smoke depends on how bad it is, i.e., its intrinsic toxic potency, how much is produced, and how quickly. Most frequently fatalities result because a lot of smoke is produced very rapidly rather than because a relatively small amount of extremely toxic smoke is released. Thus, the rate of production of combustion products and the exposure of the people at risk to them are primary factors in fire deaths. Control of these factors requires understanding of and measurements for ignitability, flame spread, energy release, and smoke production rates in addition to toxic potency.

The Center is developing all the necessary test methods and models which are needed to predict, for a given fire situation, the growth of hazardous conditions as a function of time. These methods and models are intended for use by designers, code officials and materials suppliers for assuring a suitable level of fire safety in our environment.

QUESTION:

Mr. Secretary, The President has again proposed rescissions for funding for several Department of Commerce programs. The Senate budget committee is already working on the assumption that the rescissions will be rejected.

Every year we have this attempt to take a second bite of the apple which Congress annually rejects. Meanwhile, the programs are held in obeyance for more than a quarter of the year and much scurrying around occurs in the last quarter. For a department that talks of improving financial management, that doesn't sound like a good procedure to me.

Are we assured that during the current hiatus, normal project processing is occurring, short of project approval and obligation of funds, for all the programs when rescissions are proposed?

ANSWER:

Yes. The same procedures as were followed last year for EDA and Sea Grant are being followed this year. EDA processing continues and Sea Grant Institutions are funded during the rescission period. There will be no effect on costal zone management grants and Public Telecommunications Facilities grants this year if the rescissions are not approved. Trade Adjustment Assistance grants have been curtailed during the period December 20, 1985 to the present because the basic authorizing legislation expired, not because of the pending TAA rescission.

QUESTIONS SUBMITTED BY SENATOR INOUYE

National Telecommunications and Information Administration

QUESTION:

The Administration's Budget proposes eliminating the Public Telecommunications Facilities Program (PTFP) by calling for rescission of the funds appropriated for FY'86, and proposing no funds for FY'87. (We would note also that the Gramm-Rudman-Hollings Act has already taken its 4.3% cut from the FY'86 funds, reducing the PTFP appropriation for this year from $24 million to $22.9 million.) The Budget's rationale in eliminating PTFP assumes that public television and radio already cover the nation.

> Aren't there still some major population areas still not covered adequately, so wouldn't those people deserve the same chance to get started that has been enjoyed by the rest of the nation?

ANSWER:

There are approximately nine major population areas (over 250,000 population) which are currently not served by either public television or radio. Although several of these areas either have applications pending with the FCC or facilities in planning or construction stages, there are a few communities which have not applied to PTFP or the FCC. PTFP must rely on locally-based groups which are interested enough in public telecommunications service to apply for FCC authorizations and PTFP funding. Without that local initiative, PTFP cannot provide a public telecommunications service.

The PTFP was established in 1962 to provide seed money to expand public broadcasting service to all Americans and has awarded approximately $281 million since that time. Public telecommunications service is now available to 97% of the country via broadcast and/or cable coverage. Recent grants have helped to close many gaps and several of the larger communities without public telecommunications services will soon be inaugurating services established with PTFP funds. For these reasons, we believe the PTFP's original purpose has been fulfilled.

QUESTION:

The House and Senate have both passed new authorization for this program. That reauthorization is now contained in the pending Reconciliation bill, HR 3128. This reauthorization makes important changes in the rules affecting your priorities. Specifically, the bills passed by the Congress repeal the requirement that 75% of PTFP funds be spent on new stations, or outlets. This means that PTFP should take full account of the need to maintain the present system. We've been told that the majority of public television transmitters are over 15 years old, with parts no longer available, and in imminent danger of failure. That would mean schools and colleges without education materials they depend on, and other essential programs simply not available.

> Isn't it a good investment to maintain these stations? What do you plan to do to keep these stations operating as intended by the new legislation?

ANSWER:

The funding of capital replacement, in normal business practice, is part of prudent budgeting to cover operational costs. We believe that such operational costs should be covered at the local level. If a community served by a public radio or television station finds value in this service, then the community, not the taxpayers of the Nation as a whole, should subsidize new capital investments. The new legislation, nonetheless, is not inconsistent with the current PTFP Rules and Regulations.

QUESTION:

NTIA has recently asked this year's (FY1986) applicants for more information about their station, information that would influence how their applications will be judged. Since the grant application deadline was last January 16, it would hardly seem appropriate to consider new information now.

> Do you plan to use this information for this grant cycle, and if not, how will you prevent its use if it is in your hands?

ANSWER:

The information being collected will not be used in any evaluation of 1986 applications and is not being filed with those applications. It will not be available for use by any of the panels which participate in the PTFP review process and should have no impact on grant decision making.

QUESTIONS SUBMITTED BY SENATOR BUMPERS

QUESTION:

In discussion of the Economic Development Administration activities, you stated that EDA programs cost $20,000 per month per job. Now that figure does not seem to coincide with my experience with the program, and my understanding of the cost-benefit ratios that have been experienced in Arkansas. How did you arrive at that figure? Please provide the Committee with a breakdown of the costs on a per job basis.

ANSWER:

The $20,000 per month cost cited is derived from an extrapolation of data on construction jobs collected from an analysis of 12 projects funded under the Emergency Jobs Appropriations Act of 1983. The analysis was conducted by the Office of the Inspector General, and it pertained to construction jobs, not longer-term permanent jobs created by the priviate sector. At the time of review, the 12 projects were in the initial phase of construction.

QUESTION:

Please provide me with an analysis of the costs of the EDA program compared with the benefits that have accrued therefrom.

ANSWER:

The latest comprehensive EDA study of the impact of EDA programs was an evaluation by ABT Associates in 1980. This study indicated that, for public works program, the average EDA cost per job created or saved was $3,789. The total Federal program cost per job (including EDA) was $5,923 and the total public plus private cost per job was $22,845. For the business development program the average loan amount for a permanent private sector job attributable to an EDA loan or guarantee was $8,538. For direct loans, the average loan amount per job was $6,620. For guarantees, the average amount at risk per job was $10,349.

There are some qualifications to the above results. All the estimates are based only on jobs actually attributed to EDA assistance. No allowance is made for jobs that would have occurred regardless of EDA assistance or jobs created indirectly through project-related expenditures in the local economy. In addition, the estimating procedures do not account for loan or guarantee default.

The Office of Inspector General analyzed the cost of short-term construction jobs created by 12 projects funded under the Emergency Jobs Appropriations Act of 1983. A cost of $20,000 per month was derived from data on the initial phase of construction.

International Trade Administration

QUESTION:

Section 7 of the Clayton Act, as amended by the Celler-Kefauver Act of 1950, says: "That no corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital and no corporation subject to the jurisdiction of the Federal Trade Commission shall acquire the whole or any part of the assets of another corporation engaged also in commerce, where in any line of commerce in any section the country, the effect of such acquisition may be substantially to lessen competition, or tend to create a monopoly."

Clearly-- and contrary to the perception which the Administration is trying to create--the law prohibits only those mergers which "substantially lessen" competition. Those mergers which the Administration says may help the economy because the companies would fail otherwise are simply not covered. Additionally, the failing company doctrine has long been recognized by the courts. What is wrong with this prohibition, and why does the Administration want to permit mergers which do tend to lessen competition?

ANSWER:

The language of Section 7 condemns mergers which "may tend to create a monopoly" or "may" substantially lessen competition. These words have meant different things to different people at different times. In the past, courts have stopped mergers which posed only the smallest threat to competition. Present enforcement policy now blocks mergers which pose some real threat to competition. The

Administration proposes only to codify present practice. Making the standard part of the law will encourage business persons, confused by inconsistent past interpretations of section 7, to consider mergers which may result in efficiencies and contribute to consumer welfare.

The failing company defense will allow a merger only if certain conditions are met: The company must be near bankruptcy. The acquiring company must be the least anticompetitive choice. In addition, it is not clear that the defense applies when the failing entity is a division of a healthy company rather than an independent firm. While these restrictions may be appropriate in other contexts, they are not helpful in the case of distressed industries. The goal of a more liberalized standard for distressed industries is to allow rational restructuring accross an entire industry. This will require mergers between firms which are not "failing" in the sense required by merger law and thus cannot avail themselves of the defense.

It should be emphasized that the Administration's proposal to relax merger standards for industries injured by import competition will not allow anticompetitive mergers. The "liberalized" standard for mergers which the administration proposes can best be explained by comparing it with the current standard under the 1984 Merger Guidelines. Under current policy, the Department of Justice and the Federal Trade Commission (FTC) examine a merger to see whether the resulting firm will be able to exercise market power either by itself or in concert with another firm. Under the proposed standard for distressed industries, only the resulting firm's ability to exercise market power, acting alone, will be examined. Continued import competition will protect consumers from any attempts by the domestic industry to raise prices through collusion.

QUESTION:

The Department's report on personnel compensation in the Office of Export Administration (OEA) (submitted in response to a directive in last year's committee report) concludes that "we are competitive, basically, with other sectors of these technical occupations." The report also points out that the reorganization of OEA last fall created 12 additional engineers positions at the GS-14 and GS-15 levels.

How does this number of positions compare to the number of senior engineering positions at comparable levels involved in activities related to export license review at the Department of Defense? How many of these positions are currently filled?

ANSWER

ITA has begun a creative recruiting effort to go after engineers who could be hired into these new positions. The Office of Export Administration currently has 38 of its 54 engineering positions filled.

ITA does not have access to information containing the numbers or grade levels of engineering positions that the Department of Defense devotes to activities related to export license review and, therefore, cannot compare Export Administration's number of senior engineering positions to their number.

National Oceanic and Atmospheric Administration

QUESTION:

National Fisheries Service -- Stuttgart Fish Farm

I understand that the National Marine Fisheries Service, a division of NOAA, is planning to close the National Marine Fisheries Office in my state and transfer the functions of this office to a location in a neighboring state. Arkansas has a strong tradition as a leader in fish farming, as I am sure my collegues will testify. I am specifically thinking about the Stuttgart Fish Farming Experimential Station established in 1962. The Stuttgart Facility received 5,861 public inquiries in 1983 from 51 foreign countries and 46 states. Knowing of the ongoing close relationship between fish farming in Arkansas and the federal government, why is the office being closed.

Also, no funding for the Stuttgart fish farm is in this year's bill. Prior to 1960, commercial fish farming produced revenues of approximately $100,000 on 325,000 pounds of fish. By 1984, the industry's production had grown to over 250 million pounds worth about a quarter of a billion dollars. Why should we not fund a program that will make money for the federal government far beyond the original input costs?

ANSWER:

The Federal funds for the Stuttgart facility are part of a low priority stock enhancement and disease research program and have been proposed for reduction to help reduce the Federal deficit. The commercial growth and success of the industry, as illustrated in the question, is evidence that the industry no longer needs Federal assistance to overcome impediments to development. It is more appropriate for the industry or the state to assume funding responsibilities for this program and its associated benefits. This type of program is no longer a proper Federal responsibility.

Economic and Statistical Analysis

QUESTION:

What are the Commerce Department's plans for the Office of Productivity, Technology, and Innovation (OPTI)?

ANSWER:

The Administration's 1987 budget provides for the elimination of OPTI beginning January 1, 1987 and scheduled for completion by September 30, 1987. Funds are provided for the first quarter OPTI operations, severance pay, and other close-out costs. The 1987 budget also provides for a small executive staff to continue to serve as the Department's focal point for strengthening the contribution of technological innovation to U.S. competitiveness, economic growth, and new job formation. The Department would continue to serve as an advocate on policy matters involving productivity, technology, and innovation, and domestic and international cooperative R&D ventures.

QUESTION:

Please outline how the Department plans to help coordinate technology transfers between the Government and the private sector, with particular regard to small business and the SBA's SBIR program.

ANSWER:

The Economic and Statistical Analysis activity promotes technology transfer between the Government and the private sector through the following activities:

- Currently, OPTI coordinates technology transfer between the Government and the private sector through several programs with the basic objective of helping to improve the climate for U.S. industry to compete. Examples include: (1) the Federal Technology Management Program which releases to the private sector unclassified intellectual property created from Government funding, (2) the Industrial Technology Partnership Program which has generated over $3 billion in private sector Research and Development Limited Partnership (RDLP) funds, and provides advice on the use of innovative R&D funding mechanisms to companies seeking to commercialize Federal technology (most of the RDLPs involve small business), and (3) the Small Business Liaison Program which develops State and local business profiles and seeks to strengthen linkages between the developers and users of technology. OPTI's work in the area of coordination of technology transfer is largely complete and can be assumed by other interagency bodies and private sector groups. The Federal contract laboratories are now working under increasingly liberal rules for transferring Federal technology. The financial community now takes the lead in RDLPs, which partially is the result of OPTI's catalytic efforts having been implemented. The State and local governments, together with academia, are taking a lead role in promoting entrepreneurship.

  The private sector is now more free to initiate cooperative R&D consortia, as a result of the new antitrust rules.

- The National Technical Information Service (NTIS) provides the central source for the collection and dissemination of U.S. and foreign Federally-funded research, development, and engineering reports to business, industry, Government, and the public.

- The Patent Licensing Program, operated by NTIS, uses the incentives of exclusive patent licensing to foster increased commercial development of Federal inventions. Under licenses granted in accordance with the 1980 Act to amend the Patent and Trademark Laws, licensees pledge millions of dollars to private investment in R&D and new plant construction to create new processes and products, businesses, and jobs.

- The Center for the Utilization of Federal Technology, also operated by NTIS, alerts industry about Federal Technology with high commercial potential and furthers the transfer of Federal technolgy through sales of publications such as monthly Tech Notes subscriptions, containing fact sheets and evaluations of Federal inventions.

The Small Business Innovation and Research (SBIR) program seeks to increase participation by technically-qualified small businesses in the Government's R&D procurement process. The Small Business Administration currently oversees the operation of each of the eleven SBIR programs located within participating agencies. This function is proposed for transfer to the Department and will continue to oversee Federal agency efforts to assist small business. The SBIR program which is currently located in National Oceanographic and Atmospheric Administration (NOAA) will continue to operate.

QUESTION:

What has been done to help commercialize government research that may help improve our economic health through business applications?

ANSWER:

Policy changes have been made to provide contractor ownership of Federally funded inventions (Presidential Memorandum of 1983 and P.L. 98-620). In addition, legislation has been drafted that is designed to increase Federal laboratory collaboration with industry. These initiatives result in new businesses and jobs. OPTI also has been working with the Office of Personnel Management to initiate a program to train appropriate Federal laboratory employees in the process by which inventions are commercialized.

QUESTION

Also, please provide a list of services presently provided by OPTI and how these services would be provided if the office is closed.

ANSWER

OPTI presently provides the following services to accomplish its mission of promoting productivity and international competitiveness of U.S. industry:

Management of Federal Technologies helps to develop Government-wide policies for greater commercialization of Federal R&D.

Networking Assistance identifies sources of information or services related to innovation.

State and Local Government Cooperation provides computer-generated business profiles and technology assessments and training to assist them in their economic growth planning.

Innovation Financing induced the private sector formation of over $3 billion in RDLP funding.

Various Business Tools have been developed for use by the private sector to measure the sensitivity of profitability to various inputs and market factors, describe methods of project selection to achieve a higher success ratio, list resources available to innovators from the Federal and state governments and the private sector, compare productivity between firms in the same business, and provide instruction in the innovation process and the use of analytical models. Some of these tools are available from NTIS.

Metric Conversion Services provides for the coordination of metric conversion.

Joint Venture Arrangements assists in the formation of joint R&D ventures following passage of the National Cooperative Research Act of 1984.

International Joint Ventures promotes the formation of bilateral or multilateral joint ventures based on new technologies. (This model can be used by States.)

Flexible Manufacturing (FMS) Computer Integrated Manufacturing (CIM) provides assistance in identifying state/private sector concepts for establishing "shared" production facilities for small manufacturers.

Industry and State Economic Profiles generates profiles from OPTI's Innovation Data Analysis Center.

Small Business Innovation Round Tables conducts quarterly meetings of various small business sectors to obtain feedback on ways in which OPTI programs and national policy can be responsive to smaller firms.

Intra-Commerce Cooperation provides leadership in organizing and coordinating intradepartmental efforts on productivity programs.

Trade Association Cooperation promotes cooperative initiatives to stimulate technological innovation by small business members of industry associations.

Cooperation with Universities provides advice on working with universities to commercialize technologies.

Commerce Productivity Center provides off-the-shelf materials on how businesses can bolster their productivity.

Technology Assessments are used to convene consortia of companies interested in developing "next-generation" technology.

Innovation Policy for New Technology Based Businesses develops analyses to improve the tax climate for high-tech and innovative small business start ups.

OPTI's role in all of these areas is complete. Existing Federal agencies and the private sector are now in a position to address the issues related to productivity and innovation.

One of OPTI's major job has been to remove barriers to expanded efforts by the private sector and by State and local governments to increase innovation. Now that those barriers have been removed, it is no longer necessary to have a continuing initiator role performed by the Federal government. For example, the financial community now takes the lead in RDLPs. State and local governments, together with academia, are taking a lead role in promoting entrepreneurship. The Federal contract laboratories are now working under increasingly liberal rules for transferring Federal technology. The private sector is now more free to initiate cooperative R&D consortia.

Many of OPTI's current functions seem suitable for private sector organizations to undertake. Some of the Metric activities could be assumed by the private sector, e.g. the American National Metric Council. Due to the passage of the National Cooperative Research Act of 1984 already about 40 consortia have notified the Federal Trade Commission and the Department of Justice pursuant to this new law. The private sector financial community is now taking more and more initiative in innovative financing mechanisms. The business tools issued by OPTI are largely complete and it is now up to the private sector to put these tools to use.

In FY 1988, a small executive staff may be retained to continue to serve as the Department's focal point for strengthening the contribution of technological innovation to U.S. competitiveness, economic growth, and new job formation, and to advocate on policy matters involving productivity, technology, and innovation, and domestic and international cooperative R&D ventures.

QUESTION:

Please describe in detail the relationship between the OPTI and State government agencies, such as the Arkansas Department of Science and Technology, in this regard.

ANSWER:

In response to Federalism initiatives, the scope and magnitude of OPTI relationships with the States accelerated in the past year, and coincided with increasing State government focus on strengthening economic development through technology. Examples of specific OPTI functions are:

- Provision of information, training, and networking on the process of innovation, and the professional methodologies required. This takes the form of on-site visits to the State, as well as the dissemination of information by mail and telephone.
- Preparation of State Economic Profiles showing such information as wage levels, productivity, patents, comparisons with neighboring States, status of high technology industries.

In the case of Arkansas, OPTI has provided specific information on the process of technological innovation and on the concept of "shared flexible manufacturing" and has offered its "list of services".

QUESTION:

What are the consequences of closing this office for "limited partnership" programs in which the government and industry work together to provide advice for the financing of technology intensive industries?

ANSWER:

The concept of RDLPs now is well known in the private sector and RDLPs are being formed without OPTI's help. We believe that OPTI has helped to stimulate over $3 billion of private sector R&D financing through the use of RDLP in the last three years, compared to only $200 million in 1981. The private sector financial community is now taking more and more initiative in innovative financing mechanisms.

National Telecommunications and Information Administration

Public Telecommunications Facilities Program

QUESTION:

Once again the Public Telecommunications Facilities Program is being zeroed out in the President's budget, and once again the

President is seeking a rescission of FY 86 funds. Public broadcasting is very popular in this country, and many stations — including four in my state — have submitted applications for this year's grant awards this year. As you know, these applications are very tedious, and, in some cases, it is necessary to hire an outside consultant at a cost of $1500 to prepare them. What do you expect me to tell my constituents who have labored so hard and invested so much, only to have no chance at all of grants with which to better serve the public? What confidence in the government does this kind of rescission request foster?

ANSWER:

We believe that the Public Telecommunications Facilities Program (PTFP) has accomplished the purpose for which it was originally established in 1962. It was intended to provide seed money to expand public broadcasting service to all Americans. Public telecommunications service is now available to 97% of the country and it does not seem cost-effective to promote the high per-capita costs of extension of broadcast signals to the few people currently unserved.

With the original purpose accomplished, we believe public telecommunications entities should cover operational costs at the local level. The funding of capital replacement is an expense which should be the responsibility of the local community or the licensee institution. The rescission of PTFP funds, therefore, is recommended as part of deficit reduction efforts.

International Trade Administration

Trade Adjustment Assistance Program

QUESTION:

I am very concerned about the Trade Adjustment Assistance Program, both its future and its recent past. Let's start with the future. If this program is terminated, what government programs are available to allow business firms displaced through unfavorable terms of trade to know how to adjust to a complex international economy that particularly the small businessman has no opportunity to follow in a manner that allows him to make educated decisions on adjustment? Given the sad state of our trade imbalance, wouldn't eliminating this program be shooting ourselves in the foot?

ANSWER:

The U.S. International Trade Commission has established a Trade Remedy Assistance Center to provide full information to the public on the remedies and benefits available under the trade laws and on the procedures necessary to obtain these benefits.

Under law the ITC is required to make available to the public information on the following trade laws:

-- Section 201 of the Trade Act of 1974 (escape clause investigations)

-- Title VII of the Tariff Act of 1930 (antidumping and countervailing duty investigations)

-- Section 237 of the Tariff Act of 1930 (unfair import practices investigation)

-- Section 301 of the Trade Act of 1974 (regarding foreign import restrictions and export subsidies)

-- Section 232 of the Trade Expansion Act of 1962 (national security), as well as provide guidance on other assistance under existing statutes.

The Center will provide technical assistance to small businesses on the cases these businesses bring to the ITC.

The United States has established escape clause provisions under Section 201 of the Trade Act of 1974, whereby the President may increase or impose duties, quotas or tariff rate quotas, or negotiate orderly market agreements. Other remedies include antidumping duties for those cases where there are claims of U.S. imports sold at less than fair value; and countervailing duties to deal with subsidized imported goods. Finally, remedies exist to contend with the unfair import practices and unfair foreign trade practices of foreign businesses and countries, as well as Section 232 of the Trade Expansion Act of 1962 for those instances that threaten to impair national security.

QUESTION:

As you know, Mid-America Trade Adjustment Center was recently closed. I am aware of the fact that authorizing legislation for this program ran out, although it was clear that Congress wanted the program to continue. Why was the program terminated; that is, was it an impoundment of appropriated funds? I am also aware of the fact that the close-out process was not very smooth. What procedures did the Department follow in closing the Mid-America TAAC? What notice was provided to the management and employees of the center? Can you demonstrate that the Commerce Department has shown flexibility in closing these offices? Has anyone pursued the legality of closing the offices through litigation?

ANSWER:

The ITA funded Trade Adjustment Assistance Centers (TAACs) were given notice to phaseout/close-out because legislative authority for the program had expired. Lacking legislative authority since December 20, 1985 left the Department with no alternative but to phaseout the TAACs.

To accomplish this, we notified all of the TAACs, including the Mid-America TAAC in three separate mailgrams--January 10, January 17, and January 27, 1986. These mailgrams instructed the TAACs to make no further commitments of Federal funds, and to submit and activate phaseout/close-out plans as of February 8, 1986. These plans are tied to a termination date of April 30, 1986, unless the TAAC's award expires before then. All TAACs have a 90-day close-out period after their termination or expiration date to complete reporting requirements.

Our closeout activities are not voluntary. Without legal authority, we cannot continue the program. These actions are not considered an impoundment of appropriated funds since there is no legislative authority to conduct firm assistance program activities.

The Department informed the Mid-America TAAC award recipient, the University of Arkansas, of the loss of authority and the requirement to phaseout the TAAC operation. Employees and management at the Mid-America TAAC were notified of this action by the University of Arkansas and not by the Department.

The Department's actions in phaseout/close-out of the TAACs have taken into account the hardship and uncertainty these steps may impose on the TAACs and the program's client firms.

To our knowledge, there has been no litigation concerning the closing of the TAACs.

QUESTIONS SUBMITTED BY SENATOR CHILES

International Trade Administration

Export Promotion

The overall International Trade Administration (ITA) budget proposed at $179.2 million is down $12.8 million from last year with the Trade Development activities within those totals dropping from $64,730,000 to $34,186,000 in 1987. In fact, the only increases in the overall ITA budget is in Trade Administration, much of which is for screening sensitive exports.

QUESTION:

Mr. Baldrige, in view of the $150 billion trade deficit this country faces and with exports continuing to fall to Japan, for example, by $1 billion last year alone, why are you proposing a reduction in funding for the International Trade Administration?

ANSWER:

These reductions reflect this Administration's desire to control the Federal deficit. We are of the opinion that these reductions will not have an adverse impact on ITA's ability to promote trade but will result in the elimination of one ineffective program (Trade Adjustment Assistance) and program consolidations and administrative cost savings in other areas that will enable ITA to maintain virtually the same level of program activity as in the past.

Strength of the Dollar - Is It Dropping Too Fast?

QUESTION:

Mr. Secretary, one of the greatest obstacles to increasing exports has been the overvalued dollar and, in that context, we have all applauded efforts to lower the dollar's value. As with all economic adjustments, however, there is a danger that we can go too fast and too far. If that happens, we might actually be worse off economically. While we want a lower dollar, we also need to continue to have foreigners hold enough U.S. dollars to help finance our annual foreign trade deficit of $150 billion. If the U.S. dollar weakens too fast and foreigners therefore refuse to hold them in adequate amounts, we may need to increase interest rates again to attract an adequate amount of foreign investment in U.S. dollars. This would not help economic recovery. I was particularly pleased to note that last week's 1/2 percent cut in the discount rate by the federal reserve was coordinated with the central banks in Japan and Germany so that the dollar was not subject to an interest rate disadvantage.

I am concerned, however, about apparent differences between yourself and Chairman Volcker on what additional steps are needed to further reduce the value of the dollar. You have been publicly urging that we take action to continue lowering the dollar's value. On the other hand, Chairman Volcker has testified about his concern that we may be reaching a point where foreigners will lose confidence in the dollar, which would have serious consequences for our economy.

Can you tell us if you believe that there is a danger that the dollar will drop too far?

Is that time approaching and, if so, what should we do about it?

Have you discussed this question with Mr. Volker and Secretary Baker? How can we coordinate the actions of the federal reserve, Commerce and Treasury so that the government is going one direction?

ANSWER:

The danger that the dollar will fall too far and too fast seems remote. Its decline since it peaked in February 1985 certainly does not appear to have been excessive so far. While the dollar has fallen sharply against the Japanese yen and major European currencies--by 23 to 35 percent--in the last 13 months, it is worth noting that:

- o The dollar has remained strong against the currency of our leading trade partner--Canada--and, when adjusted for relative rates of inflation, against the currencies of many newly industrializing countries that are major U.S. trading partners and competitors. Such countries include Mexico, Brazil, Korea, Taiwan, and Singapore.

- o Despite the steep fall of the dollar against the currencies of many major industrialized world nations and even with allowance for the lags between depreciation and its impact on trade, our trade and current account deficits--$148.5 billion and $117.7 billion, respectively, in 1985--have not yet narrowed.

- o The value of the dollar, as measured on a trade weighted basis vis-a-vis the currencies of 10 industrialized world countries, including Canada, still remains about 17 percent above its low point in mid-1980.

- The descent of the dollar against the yen and the European currencies--despite its rapidity, particularly in the last six months--has been consistently orderly, with no evidence at any time of panic selling.

All of this suggests that there is room for further dollar depreciation, particularly since, on balance, the obstacles to achieving balance of payments equilibrium have intensified in the last few years. Although the recent steep decline in oil prices will help to cut our deficits even without additional dollar depreciation, other factors are making deficit reduction more difficult. These include the financial difficulties of many high debt LDCs and the ongoing increases in the competitiveness of low-wage countries in many forms of manufacturing.

Moreover, we are confident that if the dollar does continue to decline, it will do so in the same orderly manner characteristic of the last 13 months. Dollar assets--because of the fundamental strength and stability of the U.S. economy and political system--remain attractive to foreign investors. In addition, the cooperative approach in dealing with the international monetary system that has been strongly in evidence since last September greatly strengthens the prospects for orderly movements in foreign exchange markets. On September 22, the G-5 countries announced their readiness to strengthen industrial-country currencies against the dollar. The governments and central banks of these and other countries--through coordinated and selective intervention in foreign exchange markets--can also cooperate to moderate a fall in the dollar should this become necessary. Furthermore, as you noted in your question, the same cooperative spirit asserted itself in early March when the central banks of the United States, Japan, and Germany lowered their discount rates in a coordinated manner. As a result, changes in interest rate configurations that could have had a disruptive impact on foreign exchange movements were avoided.

As for your concern that the United States will consider it necessary to raise interest rates for balance of payments purposes, this seems unlikely. Since it is likely that the U.S. trade deficit will begin to narrow some time in the latter half of 1986, U.S. demand for capital to finance that deficit will be correspondingly diminished.

As for differences between Federal Reserve Board Chairman Volcker and myself, I do not believe any exist. Chairman Volcker has made many wise and appropriate cautionary comments, with which I am in complete agreement, about the need to insure that any decline in the dollar proceed in an orderly manner. He has not taken the position that the dollar should decline any further. He believes, as do I and other U.S. Government officials concerned with international financial issues, that, in the final analysis, the movement of the dollar should be dictated by market forces.

QUESTIONS SUBMITTED BY SENATOR LAUTENBERG

General Administration

QUESTION:

The request for the Office of Secretary includes $1.5 million for the development of a "Commerce Financial Management System," and you indicate in your statement that:

> "Improved financial management is a top priority for this administration and while always important, is even more critical in an era of tighter budgets. To do this, we need a system which will provide us financial and other management information quickly and in a form that managers can use. Our eight existing accounting systems do not have that capability."

Why, if financial management is such a high priority, have you waited five years to begin development of a sound, department-wide accounting system?

ANSWER:

The Department began its system modernization program in 1981. The highest priority was to centralize administrative systems for personnel, payroll, procurement, real property management and administrative payments. Since 1981 the Department has also identified its needs for integrating the personal property system and the loan management and accounting system. The steps taken so far have significantly improved the efficiency of our administrative processes.

The system efforts undertaken since FY 1981 are "feeder," or subsidiary, systems of the financial and management information system that will eventually evolve. The next step in the Department's system modernization program is to identify departmental requirements in such areas as planning and budgeting, grants management, and accounts receivable. The department will also complete the design for general ledger control and integration of financial, administrative and performance information for management purposes.

QUESTION:

OMB's summary of agency reports filed under the Federal Managers' Financial Integrity Act (FIA), which appears in Management of the United States Government, contains the following:

> "The Department of Commerce reports that its accounting systems generally conform with appropriate accounting principles and standards. No major nonconformances are reported for 1985."

Do all the Department's accounting systems meet the Comptroller General's guidelines and standards as required under FIA? If not, why didn't you include the nonconforming systems in your 1985 reports? If all of your accounting systems "conform to the principles, standards and related requirements developed by the Comptroller

General and implemented through OMB Circular A-127" as you indicate in your FIA report to the President and Congress, why do you need an additional $1.5 million to "develop a model accounting system"?

ANSWER:

The Department's accounting systems do meet the requirements of FIA. The Department audited its accounting systems in FY 85 as required by FIA and no new nonconformances were discovered. The Department has taken steps to correct nonconformances identified in FY 83 and FY 84 audits and these actions are described in the report to the President and Congress. These deficiencies are being corrected in accordance with OMB Circular A-127.

The new accounting system, for which the department is requesting the additional $1.5 million, is needed for two reasons:

- When it is fully implemented, its operating costs will be half the operating costs of the current bureau-specific system.
- It will provide standardized management information that will allow the Department to examine cross-cutting issues in a timely manner and to evaluate programs competing for scarce resources.

National Bureau of Standards

QUESTION:

I understand that the National Bureau of Standards is proposing to eliminate its postdoctoral fellowship program. NBS has notified the National Academy of Sciences, which reviews fellowship applications for NBS, that there will not be a 1987 program. What is the basis for this decision?

ANSWER:

As part of our FY 1987 Congressional budget request, the postdoctoral fellowship program would be reduced by $1,641,000 - not eliminated. This reduced level of funding will not permit the appointment of any new postdocs in FY 1987. However, we do intend to fully honor our commitment for the second year term of all FY 1986 appointments. In future years, at the reduced level of funding, we will award approximately 6-8 new two-year fellowships per year.

QUESTION:

What was the cost of the postdoctoral fellowship program in fiscal year 1986? What has been the trend in costs for this program over the last several years?

ANSWER:

The estimated cost for the postdoctoral program in FY 1986 is approximately $2.2 million, which includes salaries, other objects expenses, and administrative expenses in connection with the program. This cost has remained basically constant over the past several years.

QUESTION:

Has the postdoctoral fellowship program functioned as a recruiting tool for NBS? What proportion of fellows have been hired by NBS as permanent employees following completion of the fellowship? What other avenues has NBS used to hire the best and brightest of recent PhDs (within 3 years of graduation) from the top universities in the country? How have other recruiting efforts compared with the fellowship program with regard to the number, quality, and retention record of the scientists and engineers hired?

ANSWER:

Of the 44 postdocs on board in any given year, approximately one-third are hired as permanent employees upon completion of their fellowships. Additionally, NBS is closely aligned with many universities as a result of interactions in its research and standards programs. NBS presently hires an additional 3-5 PhD graduates each year based on these contacts and plans to increase the recruitment of recent PhD graduates in selected program areas such as ceramics, fiber-optics, and cold neutron research as represented by the requests for budget increases in these areas. The quality of those PhD graduates hired directly is equal to the quality of the PhD graduates hired as permanent employees after completion of their fellowships in the postdoctoral program. Evaluation of the retention records of all PhD graduates hired at NBS indicates that approximately 85 percent remain employees with NBS for at least five years or longer.

QUESTION:

How does NBS plan to use the savings from terminating the fellowship program?

ANSWER:

Our FY 1987 budget includes requests for increases in several key research programs that are vital to U.S. trade competitiveness. In effect, the reduction in the postdoc program partially offsets these increases. We will, therefore, focus additional recruiting on those targeted areas represented by these increases, i.e., fiber-optics, ceramics, cold neutron, etc.

QUESTION:

NOAA recently released a report to this committee regarding future plans for the Sandy Hook Lab. Have you seen this report?

In the "conclusion and recommedation" portion of the NOAA report, it is stated that

> "Moving the function of the Sandy Hook Laboratory to another location would commit NOAA to a course of

> action for many years to come that may not be in the agency's best long-term interests."

Do you agree with this statement?

ANSWER:

Yes, I sent the report to both the House and Senate Appropriations Committees on March 3. However, I would point out that further analysis of options and the costs may also lead us to conclude otherwise. We have not yet, but must involve GSA, the Department of Interior, OMB and others in reviewing the cost and benefits of all the options available.

The report recommends maintaining the status quo as much as possible until we have more information available to determine a future course of action. A premature decision to move to another location or to rebuild at the Sandy Hook location would be costly and may not be in NOAA's long-term interest. This does not preclude the options of moving to another location or consolidating Sandy Hook functions into another laboratory. Before a decision can be made, we need more analyses of the situation. Fisheries program objectives along with budget contraints will be primary considerations. The President's FY 1987 budget requests a reduction of funding for the Sandy Hook Laboratory from $4.0 million to $2.4 million so we would not be proposing to continue the same level of effort previously conducted at the Sandy Hook lab.

ADDITIONAL SUBMITTED QUESTIONS OF SENATOR HATFIELD

Section C
DESCRIPTION/SPECIFICATIONS/WORK STATEMENT

OSU will provide the following materials and services to NOAA's Newport Aquaculture Laboratory:

Utilities -

- Freshwater (by separate metering)
- Electricity (by separate metoring)
- Propane (for NAL tank)
- Diesel fuel (for NAL emergency power generator tank)
- Telephone switchboard operation and line to physical plant office

Custodial -- daily cleaning and maintenance of NAL offices, working areas, and rest rooms, including necessary supplies

Security -- checks for locked doors and windows during non-working hours. Normal working hours are 8AM-5PM, Monday through Friday.

Systems operation -- monitoring of physical plant systems including electrical, heating, seawater processing, plumbing, and servicing or repair of any systems found to be operating out of specifications.

It is understood that OSU will bil NAL research projects directly for 1) all utilities considered by the Director of NAL above and beyond programmed project requirements, and 2) telephone line and instrument charges.

ESTIMATED FY86 BUDGET

OSU OPERATION OF NOAA/NWAFC NEWPORT AQUACULTURE LABORATORY BUILDINGS

Labor[1]		
Manager (1 @ 10%)	$ 4,900	
Foreman (1 @ 40%)	11,100	
Technician (1 @ 100%)	10,600	
Custodians (4 @ 100%)	66,000	
PBX operator (1 @ 40%)	4,500	
Total Labor		96,100
Fringe Benefits[2]		35,300
Purchased equipment (replacement)		50,000
Purchased parts and materials		6,000
Purchased services		
Electrical/plumbing	5,000	
HVAC	2,000	
Phone	500	
Disposal	3,000	
Equipment maint. agree.	22,200	
		32,700
Purchased supplies		
Electricity	60,000	
Water and sewer	17,000	
Propane gas	300	
Diesel fuel	300	
Custodial	5,000	
		82,600
Total direct cost		302,700
Indirect expense @10% of TDC[3]		30,300
Contingency @5% of (TDC + IE)		17,000
TOTAL ESTIMATED COST		$350,000

[1] FY86 actual rates

[2] Estimated FY 86 actual rates

[3] Administrative indirect expense rate

INTERNATIONAL TRADE COMMISSION

STATEMENT OF PAULA STERN, CHAIRWOMAN, U. S. INTERNATIONAL TRADE COMMISSION

ACCOMPANIED BY:

COMMISSIONER DAVID ROHR
COMMISSIONER SEELEY LODWICK
COMMISSIONER ANNE BRUNSDALE
RICK ARNOLD, DIRECTOR OF FINANCE AND BUDGET

BUDGET PRIORITIES

Senator RUDMAN. Our next witness is Dr. Paula Stern, Chairwoman of the International Trade Commission.

For fiscal year 1987, ITC is requesting $29.7 million, an increase of $2,330,000 over the fiscal year 1986 post-sequestrial level.

It is a pleasure to welcome you back this year, Dr. Stern. Now, please introduce your colleagues and summarize your opening statement. We will only have a few questions because of the time. We will probably have some for the record.

Dr. STERN. I appreciate your giving us the time to hear us this morning.

I think I should start first by saying we are not part of the executive branch. We have heard so much this morning about priorities, and why aren't you doing more and why aren't you responding.

At the International Trade Commission we are not part of the executive branch. And I think as a result of Congress' frustration and the rising protectionist sentiment, more people, like yourself, are going to be asking the International Trade Commission to do more. Not only because the trade deficit is increasing, but because confidence in the executive branch is declining.

AUTHORITY TO REMOVE COMMISSIONERS FROM OFFICE

Senator RUDMAN. Let me ask you a question on that point. Your members are appointed by the President?

Dr. STERN. Correct.

Senator RUDMAN. And how are you removable?

Dr. STERN. We are basically appointed for 9 years and it would be very difficult for us to be removed.

Senator RUDMAN. Who can remove you?

Dr. STERN. With the advice and consent of the Finance Committee.

Senator RUDMAN. With the advice and consent of——

Dr. STERN. I mean we have to be confirmed by the Senate.

Senator RUDMAN. All right. But how do you—assuming that somebody wanted to remove a member, how would he be removed?

Dr. STERN. Well, I think it would be a dramatic constitutional challenge.

Senator RUDMAN. But what is the procedure set forth in the statutes? Can anyone tell me that?

Dr. STERN. It would have to be——

Senator RUDMAN. A joint resolution of the Congress? By the President?

Dr. STERN. No. I think it would have to be—it would have to be an impeachment I think. But here's our General Counsel.

Senator RUDMAN. Let me ask the General Counsel. I have a very good reason for asking. Assuming somebody wanted to remove the Chairwoman tomorrow, how would they start the procedure? We are not intending to.

Ms. SCHLITT. Well, if you ask about the Chair specifically——

Dr. STERN. Why don't you talk about the members. That was the first question.

Ms. SCHLITT. Frankly, I cannot recall specifically any statutory provision. I think it would have to be by impeachment.

Senator RUDMAN. By impeachment by the Congress?

Ms. SCHLITT. I am not sure exactly.

Senator RUDMAN. I would like an answer on that. My staff can look it up, but Judge Scalila, I think, would say you are a member of the executive branch, if I read his decision in Gramm-Rudman-Hollings. I will not digress to that, but I would like you to please furnish the staff with a statutory scheme for the removal of commissioners, understanding that it is a hypothetical question.

Dr. STERN. Yes. We do not have any police authority. We do not have that kind of authority. Customs carries out all of our——

Senator RUDMAN. Right. We understand..

Dr. STERN. In that sense we are different from other independent agencies.

Senator RUDMAN. Right.

Dr. STERN. And we do not regulate. We are only administering the law.

Senator RUDMAN. But everybody is removable in this Government and I want to know how it's done.

Dr. STERN. Yes. I think it is based on malfeasance.

Senator RUDMAN. Right. OK.

Dr. STERN. That would be the basis.

Senator RUDMAN. Right. We are removed by our constituents. You are removable by some process. So why don't you go ahead with the rest.

[The information follows:]

AUTHORITY TO REMOVE COMMISSIONERS FROM OFFICE

There is no statutory authority which specifically provides for the removal of ITC Commissioners from office. Section 330 of the Tariff Act of 1930 (19 U.S.C. 1330), which provides for the organization of the Commission, covers only Commissioner qualifications—for example, expert knowledge on trade problems, no more than three Commissioners may be members of the same political party, etc.—and sets certain limits on Commissioner activities while in office; for example, no active engagement in another business, vocation, etc.

Article II, section 4 of the Constitution covers the general subject of impeachment of Federal officers. It provides—

> The President, Vice President, and all civil officers of the United States, shall be removed from office on impeachment for, and conviction of, treason, briberty, or other high crimes and misdemeanors.

No Commissioner has ever been impeached; however, Congress in the Tariff Act of 1930 terminated the terms of all sitting Commissioners effective no later than 90 days after the effective date of the act.[1] President Hoover signed the bill. Congress and the President reportedly took such action in order to remove all present Commissioners from office.[2]

STATUTORY REQUIREMENTS

Dr. STERN. OK. The fact is that we, I think, will be getting more and more calls for our resources, both because of the trade deficit and because of the eroding confidence in the executive branch's administration of the trade laws.

The budget that you have before you shows no program increases at all. The staff will stay exactly the same as it had been in the previous year.

We, in effect, have no control over the calls for our resources. We must by law respond to every request for an investigation or request for studies made by the President or the Congress.

In addition, we are having now to respond not only to cases coming in from workers and from firms, but also to the self-initiated cases which you heard made reference to by the executive branch. So that is also adding to our need for consideration as far as resources are concerned.

I believe that the budget request that we have given you is not only the bare minimum but may indeed, and I want you to know this, fall below our needs in terms of manpower.

TRADE

Trade continues to be a priority for both Congress and the President. This independent agency chose not to go for more personnel or to go for more funds. While at the same time the executive branch, the Department of Commerce you just heard from, has actually proposed for fiscal year 1987 an increase of 55 positions and $2.4 million for its trade-complaint operations.

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[1] Sec. 330(a) of the Tariff Act 1930, 46 Stat. 696.

[2] J. Dobson, Two Centuries of Tariffs (1976), at 99–102.

Now, we at the ITC track much of our statutorily required investigations identically with what the ITA and Department of Commerce is doing. While we stood still, the Department of Commerce is asking for 55 more people and $2.4 million more dollars.

We want to emphasize that we are not part of a big agency or the executive branch. We cannot turn to anyone else to try to help us out. We are turned to all the time, both by the executive branch and the Congress, to help them out. Can we lend them people? Can we do a study for them? We have no one to turn to.

The Trade Representatives' Office, which is the other important office that serves the President, can turn to the executive branch and us. We cannot do likewise.

Our central activity is the performance of these statutorily required trade investigations and research studies. Investigations both of unfair trade as well as fair trade. Our investigative effort is projected to be even greater than it was in 1985, and 1985 was our busiest year in our history.

I think there is little prospect that the requests for import relief will soon dissipate. Part of the continuing surge has been the strong dollar. It is coming down. However, you know about the time and transaction lags. I think there will continue to be lags, but more importantly I think even if the dollar did come down to its 1980 level, we have a far more fundamental shift in our competitive position in the United States, which will not be corrected by the dollar. And I think we will continue to see the casualties of our macro economic policies of the last couple of years, both in terms of industries which we have normally considered to be import sensitive as well as high-tech industries, agriculture, as well as industry and mining.

I would like to just simply conclude in saying that since this is my last appearance before you as head of the agency, I want to thank you and your committee for your support over the last number of years and for providing us the ability to serve this Nation and the Congress and the President in this time of increasing trade pressures.

SAFETY NET

We are perceived as the last hope of U.S. businesses as they grapple with the realities of the global marketplace. In effect, we provide a safety net for American businesses when times in trade are tough as they very well are now. The current trade problems are exerting tremendous pressures on all of us and we feel it, perhaps not as much as Congress. As you pointed out, we are in our job for 9 years, but nevertheless we feel it as well.

I think that given our Commission staff we will be able to face the challenge, but I want to reemphasize that this is a parsimonious bare-bones budget and that we have not asked for an increase in our authorized personnel strength in spite of my words that we should have.

I am very happy to answer any questions which you may have. I understand that it is late in the day.

Senator RUDMAN. Thank you. I do have a few.

SHOE INDUSTRY

You referred to your agency as a safety net, and I think that's exactly what it was intended to be. Unfortunately the net was made of gossamer thread in the shoe case. The industry fell through the net, hit the ground, and is about to die.

Knowing that entire background, do you think we in Congress ought to really question the viability of our existing trade remedies and maybe start looking at different ways to do it? Not protectionism now. I am talking about different kinds of trade remedies. Your own personal view.

Dr. STERN. Senator, I know you and many Members are reexamining the laws. I think that there are ways where the law could be responsibly amended. I can tick off a number if you wish or provide it afterward.

Senator RUDMAN. Well, let me ask you about one in particular.

Dr. STERN. All right.

Senator RUDMAN. And then you can provide for the record a more complete answer.

SENATOR DANFORTH'S BILL

Are you familiar with Senator Danforth's bill which is 1860. In that bill he limits the President's discretion on 201 recommendations from your agency. How do you feel about that?

Dr. STERN. That's exactly the point I was making when I started.

Senator RUDMAN. All right.

Dr. STERN. That because of the decline in confidence in the executive branch, we are going to be asked to do more. I have to emphasize that under the law as it exists today, and I don't believe Senator Danforth has changed that in his legislation, we are only supposed to look at the industry, whether it is injured, and the impact of imports on that industry.

Senator RUDMAN. We understand that.

Dr. STERN. We do not become a mini president.

Senator RUDMAN. You take a broad view.

Dr. STERN. We do not take into account all the other considerations. Consumer costs, inflationary impact, impact on our allies, national security considerations. Those are decisions which the President makes.

Now, we could in certain ways, given the resources, do a lot more on the economic considerations. We could provide a record to the President which would make it very clear what his remedy options are. I should say that at this time our remedies are very limited. I think there should be expansion of the kind of remedies that we could recommend. Starting on the narrow economic considerations, we could be given a lot more wherewithal and leeway. Let's talk about all the problems that an industry is suffering, not just import problems, because many of these problems are not going to be resolved with import relief. So that, given a grant of authority, we could go into those other things and recommend them to the President. Congress could insist that the President respond as to what he was going to be doing given the vast resources that are in the executive branch, everything from the antitrust authority, to EPA regulations, to import relief, to interest to lower interest rates on certain loans for certain industries. All these things are already in the Government somewhere, so that you could insist that the President be more comprehensive in his responses and that the ITC create a record which is more comprehensive so that there would be a review by the President.

But in terms of our substituting for the President on these other noneconomic considerations, as you pointed out, we are not elected officials. We are only appointed officials and I think that frankly that should be borne in mind.

SEMICONDUCTOR PATENTS

Senator RUDMAN. Well, take a look when you give me your answer for the record of your other proposals to strengthen what is possible here, recognizing that you cannot operate in a vacuum, that elected officials have to make the final decisions, but take a look at section 201 recommendations in Senator Danforth's bill. I am sure you already have.

Dr. STERN. Yes, sir.

Senator RUDMAN. You voted on Monday to begin your investigation on certain semiconductor patents based on the Texas Instruments complaints.

Dr. STERN. That's correct.

Senator RUDMAN. So that was voted on.

Dr. STERN. That's one of five investigations we have going on regarding semiconductors. The one you were making reference to was a section 337 case which deals with patent rights.

We also have these three dumping cases.

Senator RUDMAN. What happens to these cases that have just been reported in the press today? What is the next step with the finding that Commerce——

Dr. STERN. That one was a reference to the EPROM case, I believe.

Senator RUDMAN. That's correct.

Dr. STERN. It will now go back to us, the International Trade Commission, for our final review of whether there is indeed material injury or threat of material injury or retardation of a domestic industry by reason of these imports that have been allegedly dumped.

FULL-TIME PERMANENT POSITIONS

Senator RUDMAN. Do you presently have 482 people?

Dr. STERN. Correct.

Senator RUDMAN. That is your level?

Dr. STERN. Correct.

Senator RUDMAN. I think I understand that what you are saying is that had you not had the budgetary constraints that you were faced with, you would feel an increase would be important in order to do the job that you have to do.

Dr. STERN. Absolutely.

Senator RUDMAN. Do you have a number in mind? I am just curious.

Dr. STERN. Yes, sir. I do.

Senator RUDMAN. What was the number that you had thought about and then decided not to recommend?

Dr. STERN. I personally made a recommendation to the Commission which did not carry. And in my recommendation I suggested that we fully fund 10 more positions.

Senator RUDMAN. What would those positions be?

Dr. STERN. Many of them were to deal with litigation. As you know, once we make our decision that's not the end of it. We then have to litigate.

Senator RUDMAN. These would be lawyers?

Dr. STERN. Lawyers to go to the courts. The Justice Department does not argue for us before the courts. We do it ourselves.

Senator RUDMAN. All right. And my question would be——

Dr. STERN. There are others as well in addition to lawyers.

Senator RUDMAN. The other Commissioners voted against you on that?

Dr. STERN. Correct.

Senator RUDMAN. Were they voting against you because they disagreed with the need or because they thought the budgetary problems were such that increases should not be requested at this time.

Dr. STERN. I believe that there was a great concern on everyone's part regarding constraints on the entire U.S. budget, and I think that that was the dominant——

Senator RUDMAN. Well, of course, there are constraints but one of the great misunderstood aspects of the bill that bears my name and Senator Hollings' name is what it is really all about is making choices.

Dr. STERN. Priorities.

STRENGTH OF THE DOLLAR

Senator RUDMAN. Setting priorities—and this may be a very high priority. It is something that the subcommittee will want to think about between now and the time that we mark up a bill. We understand your submission, but we also understand your problem.

You talked a little bit about the strength of the dollar and the Secretary of Commerce of course did, and you were here I believe during his testimony.

Dr. STERN. I was listening.

Senator RUDMAN. Do you have economists that work for you at all?

Dr. STERN. Oh, yes indeed.

Senator RUDMAN. You do. I mean ones that do the forecast type of economics. I know you have economists, but do they do any internal forecasting at all?

Dr. STERN. We do not substitute for the Department of Commerce in that sense, no.

Senator RUDMAN. Well, let me just ask this question then based on information the Commission has. Do you think the recent decline in the dollar, related to the yen and other currencies, could cause a decline in cases before your Commission?

Dr. STERN. I believe that we were seeing an increase in the demand on the resources of the Commission even before the dollar started to go up. We had the automobile case, for example, in 1980 in the year that everyone wished we were in from the viewpoint of the dollar's value. I believe that the dollar certainly has impacted and its coming down should help. But as I said, I think it's like a receding tide that is leaving a lot of jagged stones. There are a lot of industries that have been hurt, have not gotten those returns that they expected in the recovery period. And when the economy slows down at all I think that they will be wiped out entirely.

I believe that we now have an industry that's been transformed. The Hollow Corp. was one of the metaphors here. I believe that the imports, having made their inroads in the U.S. marketplace, in effect subsidized by our high dollar, will be very hard to dislodge. Now people know the imports in a given industry. They know the quality is there, that service is there, the delivery time is there. The imports have proven themselves.

Senator RUDMAN. Particularly where there is not a competing U.S. industry such as cameras, television sets. But, if you are talking about the automobile industry, I happen to believe that the Japanese are in for a very rough time in the American automobile market and I am delighted at that, for a lot of the things that I am aware of that are happening in the American industry over a period of the next 2 to 5 years. Plus the dollar.

Dr. STERN. Well, it remains to be seen since the quotas on automobiles have continued now into the fourth and fifth year.

RELOCATION

Senator RUDMAN. Let me just wind this up with a couple of quick questions. Just in a word. How is your relocation effort coming along?

Dr. STERN. Our relocation effort is moving on quite well. We did not put any money in the budget.

Senator RUDMAN. Will you need a supplemental for that?

Dr. STERN. Definitely, yes, sir.

Senator RUDMAN. Any idea of how much that will be?

Dr. STERN. We have not done those estimates. Now we are working out in the final phases of the negotiations with GSA and the developer. We consider this a forced move and the whole question is who's going to pay for this.

Senator RUDMAN. Where will the new location be?

Dr. STERN. It has not been announced, sir, but we can tell you in confidence afterward.

Senator RUDMAN. That's fine. Let us know particularly. We don't really care about that, but if you have some idea of what it's going to cost in a supplemental.

These are the last couple of questions, if you know. If you don't, answer for the record. What percentage of your cases are being appealed to the Federal courts and what's your track record on them?

LITIGATION OF COMMISSION DECISIONS

Dr. STERN. Title 7 cases, the dumping countervailing cases, 100-percent appeal.

Senator RUDMAN. And what's your track record?

Dr. STERN. Our track record has been excellent. As you may know, the International Trade Commission, unlike just about any other agency in the Government, is reviewed by two layers of courts, which I think is excessive and something that you might look into when you are looking at how to change the trade laws. Therefore, I consider the ultimate answer to your question is how does the ultimate court, the Court of Appeals for the Federal circuit, read our laws.

Senator RUDMAN. Yes.

Dr. STERN. We have been sustained virtually every time. We feel very good about it.

BALANCED BUDGET ACT REDUCTION

Senator RUDMAN. That's good. Let me ask you one last question. The 4.3-percent sequester, I guess, is what you had.

Dr. STERN. Yes.

Senator RUDMAN. How are you handling that?

Dr. STERN. As you know, we were operating under a continuing resolution for the first number of months of this year, so we had already had our own internalized constraints. Moreover, one of our recently appointed Commissioners had not yet come on board. And so we had vacancies in that office and as a result we were able to have a number of economies which will see us through this year.

Senator RUDMAN. Well, I am delighted because I think that almost universally people in this Government have really tried to meet this, understanding what the goals are and, of course, some of us are rather unhappy with some of the people who haven't been cooperating.

Dr. STERN. I heard what you said about that. We have been more than cooperative. I think we almost overanticipated by my coming to you with a request for what I think were barely adequate funds. But I want you to appreciate the fact that we have no wiggle room in terms of the statutes.

Senator RUDMAN. We understand.

Dr. STERN. We have no programs that we can discretionarily turn off.

Senator RUDMAN. You cannot control your workload.

Dr. STERN. Exactly.

Senator RUDMAN. I understand that having been attorney general of my State and appearing before the legislature asking them for more money for my criminal division and they said, "Well, we don't have any more money," and I said, "Well, what would you like me to do? We had 20 murders 2 years ago. We have 70 this year. Would you like to let them go free?" They got the message.

Thank you very much.

Dr. STERN. Wonderful. I wish I had known that speech. I would have tried it on you.

[The prepared statement of Dr. Stern follows:]

UNITED STATES INTERNATIONAL TRADE COMMISSION

STATEMENT OF PAULA STERN, CHAIRWOMAN

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to present the Commission's budget request for FY 1987. Accompanying me today are Commissioners Eckes, Lodwick, Rohr and Brunsdale, and Rick Arnold, Director of Finance and Budget.

It has been recently reported that in 1985 the U.S. chalked up a trade deficit of $148.5 billion, the largest in history. When I appeared before you last year the deficit was $123 billion. This was the fourth consecutive year in which a record trade deficit was set. As the deficit grew so did our workload.

The budget request approved by the Commission totals $29,700,000 and 482 full-time permanent positions. This represents an increase of $1,100,000 (or 3.8%) over our FY 1986 appropriation before the Gramm-Rudman-Hollings reduction. This is a request to fund operations at the same level as authorized for FY 1986, and does not include any program increases. No additional staff is being requested. In the non-personnel area we are asking for an increase of less than one percent to meet operating costs and just over one percent for GSA space rate adjustments on our current office space.

Let me briefly explain the reason for the increase over FY 1986. Some forty-one percent of the increase, or $452,000, is devoted to increased salary costs. Some thirty-nine percent of the increase, or $431,000, is devoted to increases in space rental costs (not associated with our planned relocation). The remaining twenty percent, or $217,000, pays for various non-personnel costs, such as equipment rental, printing and other services, and supplies and materials.

Mr. Chairman, I believe this amount represents the bare minimum necessary to meet our obligations for what we expect will be an extremely busy year. I should stress that most of our workload - the number of investigations and studies - is beyond our control; we are usually responding to statutory requirements. Furthermore, much of our workload is subject to tight statutory deadlines.

I personally feel that this budget request is not only the bare minimum necessary but may even fall below our needs in terms of manpower. Trade continues to be an Administration priority as noted by the President in his recent State of the Union address. The Department of Commerce has proposed a FY 1987 increase of 55 positions and $2.4 million for its trade-complaint operations. Since the ITC's workload parallels that of Commerce, we too, must be prepared for a substantial increase in the demand for our resources. Unlike the International Trade Administration, we are not part of a large agency like the Department of Commerce which can fund priority programs by moving resources from discretionary activities.

Unlike the Office of the U.S. Trade Representative, we are not part of the highest levels of the Executive Branch and able to call on many agencies for staff support and assistance. We are a small independent agency for whom underfunding is quickly reflected in the quality and timeliness of our performance. I appreciate the fact that your subcommittee has understood our situation and regularly supported the Commission's important work. It shows your concern for our industries and those in government who are trying to assist them.

The Balanced Budget and Emergency Deficit Control Act of 1985, or Gramm-Rudman-Hollings, will result in a $1,230,000 reduction in the Commission's FY 1986 appropriation, reducing us from the $28,600,000 that you appropriated to $27,370,000. During the first quarter of FY 1986 the Commission operated under Continuing Resolutions and with several unfilled positions. For example, Commissioner Brunsdale and her staff had not yet arrived. Also, in order to conserve funds during this period, travel, training, and other activities were severely curtailed. As a result, the Commission realized savings which will aid us in absorbing the impact of the Gramm-Rudman-Hollings reduction for the rest of the fiscal year. We plan to continue limiting support costs while maintaining the Commission's productive capacity, its permanent staff, at authorized levels.

I have directed reductions in support services such as postage, communications, rentals, printing, other services, and supplies. This approach, however, defers current needs rather than eliminating them, in order to support our most valuable asset, highly knowledgeable trade experts who are skilled in reviewing, analyzing and reporting on trade-related issues. If these cutbacks were to continue at this level, the Commission would have to consider staff reductions. Less staff participation in investigations or other mandated work would put the Commission in the position of: (1) not being able to handle the anticipated caseload; (2) not being able to fulfill its full statutory quasi-judicial responsibilities; and, (3) not being able to fulfill its other mandated work, such as providing trade-related assistance to the Congress and the President.

The Commission's central activity, the performance of statutorily required trade-related investigations and research studies, continues to grow as the result of a continuing increase in case filings that began in FY 1982. We expect to work on 324 cases in FY 1987 compared to 314 in FY 1986. In FY 1985, although 338 cases were worked on, 35 carbon steel cases were received and consolidated into 5 investigations, for an actual "investigative effort" of 308 cases. Therefore our FY 1987 investigative effort is projected to be some 5.2 percent greater than FY 1985, the busiest year in the Commission's history. Through the first four months of FY 1986, 83 new cases have been initiated.

Our caseload continues to grow not just in size, but also in the diversity and complexity of the cases brought before us. The antidumping and countervailing duty statutes continue to be our most active areas. During FY 1985 the Commission had 217 active cases in this area. Although steel and other manufactured products are the most frequent subjects of these investigations, cases involving other industries, such as agriculture, chemicals and high tech products reflect the increased import sensitivity of the U.S. economy across-the-board. For example, we have a pending final antidumping investigation on 64K dynamic random access memory semiconductors (DRAM's), and have recently completed preliminary antidumping investigations on 256K and above DRAM's, erasable programmable read only memories (EPROM's), and cellular mobile telephones.

Many of our most celebrated cases are filed under section 201, also known as the "escape clause". In 1985 we completed two escape clause cases, footwear and potassium permanganate.

Although conventional wisdom holds that these cases are reserved for presidential election years, we already have five section 201 cases before us this year, including wood shakes and shingles, electric shavers, certain metal castings, apple juice and steel fork arms, and expect a total of eight such cases this year. We expect a continued high level of interest in section 201 in FY 1987.

We see little prospect that the forces that are producing so many requests for import relief will be reversed any time in the near future. Part of the continuing surge in our caseload can be traced to the strong dollar, which, even with recent declines relative to major currencies, remains high. The beneficial effect of recent declines has yet to reach beleaguered U.S. producers because of the substantial lag time involved before dollar declines translate into import price increases. However, masked by the high value of the dollar are fundamental shifts in the competitive position of many U.S. manufacturers in an increasingly global marketplace. Both newly industrialized countries and traditional business rivals are posing new challenges to many established industries in the United States.

The Trade and Tariff Act of 1984 requires the President to conduct an extensive review of the Generalized System of Preferences (GSP) by January 1987. As part of this review the Commission recently completed an investigation with respect to all articles covered by the GSP. This was the largest and most detailed "probable economic effects" type of investigation the Commission has conducted since 1975 when such advice was prepared for the Multilateral Trade Negotiations. It required 25 percent of the staff time of our Office of Industries (our largest single component) to prepare the documentation for this review. Significant effort also will be required to study the economic impact of the conversion of GSP eligible items from the TSUS to the Harmonized System. Further GSP activities are anticipated in FY 1986 and 1987. Also, assistance in providing advice in negotiations will increase significantly when the major trading nations embark on the new round of trade negotiations called for by the President.

Another important responsibility we have is to prepare fact-finding reports and analyses for use by Congress and the President in the development of U.S. trade policy. Much of this work is conducted under section 332 of the Tariff Act of 1930. Studies under section 332 are usually requested by our oversight committees or by the President. In addition we try to anticipate the needs of trade policymakers by self-initiating 332 studies; for example, we self-initiated the report on U.S. Trade Related Employment which we are told has been repeatedly used outside the Commission as well as inside in helping identify the impact of trade flows on jobs. We also released a report reviewing the operation of the Multifiber Arrangement during 1980-84 and an update of our 1982 report on Emerging Textile-Exporting Countries.

We are increasingly involved in preparing background studies on sensitive and controversial issues. Congress recognizes that the competitiveness and viability of U.S. industries must be gauged in terms of their performance in the global marketplace. Just a few weeks ago, I received a letter from the Finance Committee requesting the Commission to conduct a series of investigations under section 332 of the Tariff Act of 1930 on the international competitiveness of major U.S. industries. The Committee envisages up to seven studies, all of which are to be completed within the next 18 months.

At the request of the Senate Finance Committee we have a study underway on the effects of proposed tax reforms on the international competitiveness of U.S. industries. We have recently conducted studies on issues such as the importation of softwood lumber, the effectiveness of trade dispute settlement under the GATT, and of U.S. and EC pork in the U.S. and third country markets. We currently are studying the impact of U.S.-Mexican trade on Southwest border development, and anticipate beginning studies on a U.S.-Canada free-trade agreement and U.S.-Canada services trade which we estimate will require an even higher percentage of the Office of Industries time than our large GSP study.

During FY 1985 the Commission had 52 active Section 332 studies. Of the eleven studies now underway or anticipated in the immediate future, ten are direct requests of the Congress or the President.

To round out a description of the full range of the ITC's activities requires mentioning the continuing role the Commission is playing in the conversion to the Harmonized System, and the listing of periodic reports on several commodities, including automobiles, heavyweight motorcycles, motor vehicles and parts, footwear, steel, rum, mushrooms, and the performance of the steel industry. In addition, we provide our oversight committees numerous reports on proposed legislation to be used as background material for committee consideration of these bills. During FY 1985 we provided assistance on 133 pieces of legislation. Our independence, analytical expertise, and data-gathering ability will continue to attract requests for timely reports on current trade issues. This creates a continuing need to create and maintain expertise in new areas in order to keep up with developments in international trade.

In recent years, a major litigation workload has developed at the Commission, resulting from appeals to the courts of the

Commission's decisions. There has been a steady increase since the early 1980's, with recent workload increases of 92 percent since January 1984 when the Commission had 39 active cases, and January 1986 at which time there were 75 active appeals. Unlike some other agencies, the Commission's legal staff is responsible for arguing these appeals, rather than the Department of Justice. These cases are increasingly more complicated, both because of procedural requirements of the courts and of more technical subject matter arising generally in our cases. The level of litigation shows no signs of abating in the near future, and now must be recognized as an on-going workload category as are the Commission's statutory investigations.

The Commission's budget request does not include funds for the relocation of our activities. In 1984 Congress passed and the President signed legislation that transfers our current building, where most of the staff works, to the Smithsonian Institution when a suitable location for us has been found. Commission staff has worked with the General Services Administration (GSA) since that time to locate an appropriate building. We expect that a lease will be signed between GSA and a building developer this month. Internally the Commission has taken several measures to prepare for our move, but little more can be done until a lease is signed. At the time the budget was prepared there was much uncertainty regarding our move, so a request for relocation funds would have been premature. Now that the Commission is expecting to move in the summer of 1987, we will be able to evaluate the costs of our relocation. The Commission will likely come back to you with a request for additional funding within the next few months.

I would like to conclude on a personal note. I have been a Commissioner for seven and a half years, and Chairwoman for nearly two. I have personally witnessed many changes, both domestic and international, that have led to great shifts in trade and their impact on the U.S. economy. The Commission has been asked to do more and more to help industry, the Congress and the President deal with those changes. I have observed first-hand the internationalization of the U.S. economy and appreciate the heightened importance of our work. I credit the Commission's staff for maintaining the high standards of quality and objectivity that Congress expects us to meet. Since this is my last appearance before you as Chairwoman, I want to thank you for the support you have shown us over the years. You have provided to us the opportunity to serve this nation, the Congress and the President with high quality, meaningful products.

Few agencies are experiencing such disproportionate growth in responsibilities relative to their size. Our work increases when American industry is feeling injured. We are often perceived of as the last hope for U.S. industries as they grapple with the realities of the global marketplace. The current trade problems are exerting tremendous pressure on all of us, but we are confident that, with the continued support of Congress, the Commission can meet the challenge.

In submitting the Commission's budget request for fiscal year 1987, I firmly believe that this is the minimum necessary if we are to meet the growing demand for our services and meet our objectives as defined by Congress. In spite of the enormous workload facing the Commission, we are presenting a parsimonious, bare bones, budget and are not asking for an increase in our authorized personnel strength.

Mr. Arnold and I will be pleased to answer any questions you may have. Thank you.

SUBMITTED QUESTIONS

Senator RUDMAN. The subcommittee has additional questions which we will submit for your response. They will be inserted in the record at this point.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR RUDMAN

Question #1: The plight of the domestic footwear industry continues to be a major concern. The ITC has spoken, recommending the President impose global five year quotas -- the Congress has spoken, including a legislative provision in the textile bill last year which would have limited imports. Unfortunately, the Administration refuses to listen.

- Given the recent events on footwear, should we in Congress be questioning the viability of our existing trade remedies?

- Do you support legislation which would limit the President's discretion to act on Section 201 recommendations of the ITC, such as the provision contained in Senator Danforth's trade bill, S.1860?

- In your view, do we need to expand the remedies available to industries injured by imports?

RESPONSE: It is difficult to make judgments on current law based on one case. The record under section 201 of the Trade Act of 1974 is not as bad for domestic industries as the footwear case might suggest. Since 1975, the President has granted relief in one-third (11 out of 33) of the cases in which the ITC has recommended relief for the domestic industry. In recent years, the percentage is even higher. Since 1978, there have been 10 remedy recommendations by the ITC, and the President has granted relief in 7 of those cases. With this record in mind, current law may be viewed as more viable than if one is examining the footwear case alone.

Given the different roles of the ITC and the President under section 201, this result is not too surprising. The ITC does not really "recommend" that the President impose import restrictions to help a U.S. industry. Rather, we send the President a program of import relief that will remedy the serious injury that we find the industry to be experiencing. It is then up to the President to determine whether or not such a remedy is in the national economic interest.

This difference in responsibilities must be kept in mind when evaluating proposals to limit the President's discretion under section 201. If such limits are enacted, where in the process will such factors as consumer costs and impact on other industries be considered? S. 1860 would limit the President's discretion when the ITC's remedy is accompanied by an approved adjustment plan. While I believe that more emphasis on adjustment could substantially improve the effectiveness of import relief, I don't think that such plans should reduce the President's discretion. One could still have an effective adjustment plan as part of an import relief scheme that is very costly to consumers or other industries. The President should still determine whether or not this is in the national economic interest.

Lastly, you asked about the remedies available to industries filing for relief under section 201. Since imports are often only one of many problems facing petitioners under section 201, I have advocated that the list of available remedies be expanded to match the problems faced by declining industries. Additional remedies could include regulatory relief, antitrust exemptions, and financial assistance.

Question #2: Your Fiscal Year 1987 budget requests the Committee to restore the FY 1986 sequester and uses the FY 86 enacted appropriation as a base for FY 1987. What was the Commission's rationale for using the enacted level, rather than the adjusted level as your base for FY 1987? If the Committee is unable to approve this increase in FY 1987, what affect will this have on the Commission?

RESPONSE: The overall plan in absorbing the FY 1986 reduction is to maintain as much as possible the Commission's current staff level and its commitment to remain up-to-date with office automation, while reducing nonpersonnel support costs. Since the Commission was held at its FY 1985 level during the first quarter of FY 1986, expenditures for training, travel and other activities were below minimum levels. These savings, and additional FY 1986 reductions made by the Commission in support services such as postage, communications, rentals, printing, other services and supplies will enable the Commission to absorb the sequester amount. This plan is to temporarily defer current nonpersonnel needs to support our most valuable asset, highly knowledgeable trade experts who are skillful in reviewing, analyzing and reporting on trade-related issues. If these cutbacks were to continue at this level, the Commission would have to consider staff reductions. Less staff participation in investigations or other mandated work would put the Commission in the position of: (1) not being able to handle the anticipated caseload; (2) not being able to fulfill its full statutory quasi-judicial responsibilities; and, (3) not being able to fulfill its other mandated work, such as providing trade-related assistance to the Congress and the President.

Question #3: What is the current status of the Commission's relocation effort? Has a new building been identified and a lease signed? Do you anticipate having to request additional resources in an FY 1986 supplemental or an FY 1987 budget amendment to accomplish the relocation? If so, can you give the Committee an estimate of the additional costs involved with the relocation?

RESPONSE: During the past few weeks, the Commission and General Services Administration (GSA) reviewed the "best and final" offers from six bidders and we jointly concluded that the lowest cost bid could sufficiently satisfy our special space requirements. Under current plans a building will have to be constructed and should be ready for use in late 1987. We are hopeful that a public announcement of the lease award can be made soon. However, until that time, GSA has asked, in keeping with its normal procurement practices, that the selection not be discussed. However, as I stated during my testimony, I am most willing to discuss the location privately with you.

The Commission's FY 1987 budget request presented to you on March 12th does not include any of the funds we will need for covering the costs of the relocation since the selection of the building had not been made at the time the Commission voted on the amount to request for FY 1987. We will be developing a request for relocation costs as soon as possible after taking into account the items which will be covered by the lessor and GSA. At this point we expect that the costs will need to be incurred over a three fiscal year period, i.e., FY 1986, FY 1987, and FY 1988, and therefore anticipate both an FY 1986 supplemental and an FY 1987 amendment.

Question #4: Your budget justification indicates that the Commission projects increased efficiency in the use of resources through its participation in the Diner's Club Charge Card Program and the use of a commerical travel agency. How has this increased efficiency? What savings do you attribute to the use of the Diner's Club Card and a commercial travel agency?

RESPONSE: Implementation of the Diners Club Charge Card program provides improved cash management due to the elimination of the use of Government Transportation Requests (GTR), a reduction of average monthly cash travel advances from $51,900 to $15,800, and the current deduction of charges for unused airline tickets before the credits are posted to the Diner's Club account. These cash improvements lead to greater interest earnings for the government, although not directly for the Commission. In addition, the Citicorp Diners Club Charge Program is easier and more convenient for employees, and offers them many other benefits such as worldwide charge card acceptance, travel insurance, emergency cash advances/check cashing, and no-fee Citicorp Traveler's checks. The commercial travel agency keeps track of all airline tickets and sends an itinerary to GSA for auditing. As a result, reporting of transportation schedule back-ups have been eliminated. The commercial travel agency is also the Commission's one-stop-shopping for all travel arrangements (to include lodging, car rentals and reservations).

Question #5: With the on-going Canadian trade negotiations and the new round of Multilateral Trade Negotiations, why do you project a decrease in the amount of technical information and assistance related to trade agreements, provided by the Commission in FY 1987?

RESPONSE: The Commission is not planning to reduce the technical assistance related to trade agreements we provide below the levels required by Congress and our trade policymakers. The resources projected under this activity in our FY 1987 budget request are based on our best estimates of assistance that will be required at that time. What is not reflected separately in our budget request, but taken into account in determining our budget estimates, is the level of preparatory work directly related to both the Canadian negotiations and the Multilateral Trade Negotiations currently being performed along with the work in related activities. (If this preparatory work is not done it would severely limit the Commission's ability to assist when called upon.) Planned work efforts in this area are not being decreased in total, even though some related activities may be shown requiring lower work-years, others are shown with increased work-year requirements. The TSUSA, Harmonized System and other nomenclature activities are examples of this. These on-going projects, in addition to meeting current requirements, also reduce the need for a large amount of independent preparatory work effort that would have been required during FY 1987.

Many Commission activities are interrelated, therefore expertise developed in one area of responsibility complements other areas of Commission responsibility. This is one of the major reasons the Commission is determined to maintain its staffing level at the highest possible level, and why the elimination of specific activity could have detrimental ramifications throughout all Commission programs.

Question #6: Under the Tariff Act of 1930, one of the Commission's primary responsibilities is to provide assistance to Congress and other U.S. Trade policymakers. What percentage of the Commission's workload falls in this category?

RESPONSE: During FY 1985 the Commission expended over 29% of its total resources on direct assistance to Congress and other U.S. trade policymakers. This assistance takes many different forms, and includes: (1) assistance in the form of formal investigations and reports under section 332 of the Tariff Act of 1930; (2) assistance to U.S. delegations, such as the MTN delegation currently in Geneva for GATT negotiations on adoption of the Harmonized System of tariff nomenclature; (3) formal detail of staff to the USTR on a reimbursable basis; (4) informal assistance in the day-to-day activities of the trade agreements program and preparation of related Presidential Proclamations and Executive Orders; and (5) information, assistance and analyses requested by the Congress, congressional committees and individual members, and information and assistance in drafting proposed legislation.

The resources expended in providing assistance to Congress and other U.S. trade policymakers does not include time expended on statutory investigations, and other time expended for such activities as assembly and analysis of information, preparation of summaries, and work in the TSUSA, Harmonized System and other nomenclature and classification activites, which are all essential if Commission staff is to maintain the level of expertise required to meet these responsibilities to Congress and other U.S. trade policymakers.

Question #7: The Trade and Tariff Act of 1984 established a trade remedy assistance function in the Commission to provide information on trade remedies available, as well as on the petition and application procedures required to seek remedies. How many trade remedy assistance requests did the Commission receive during calendar year 1985? Do you anticipate these requests to increase during 1986?

RESPONSE: During calendar year 1985 (trade remedy assistance function commenced January 29, 1985), the Commission's Trade Remedy Assistance Center received 307 inquiries. Technical assistance in the form of meetings to discuss the trade remedies available and how to file petitions for such remedies was extended to about 20 small businesses.

The center responds to public inquiries and provides technical assistance to small businesses and is the one central location in the Federal government for obtaining information on major trade remedy statutes. It is anticipated that the number of requests will increase during 1986.

Question #8: For FY 1987, the Commission projects an increase in the number of General Purpose investigations and research studies under Section 332 of the Tariff Act of 1930. How many of these investigations do you anticipate will be Commission-initiated?

RESPONSE: Virtually the entire section 332 workload for FY 1987 is based on anticipated requests from the Office of the President and the Congress. We anticipate that we will not be able to undertake more than two or three Commission-initiated studies during FY 1987.

Question #9: Your budget request reflects a decrease of five workyears and $273,000 in investigations and research studies on the probable economic effects of concessions or preferential duty-free treatment. To what do you attribute the sharp decline in this area?

RESPONSE: In FY 86, the Commission expects to be required to expend at an unusually high level in this budget activity due to a Presidential request for a section 131 investigation regarding the probable effects of U.S. duty elimination under the U.S. - Canada Free Trade Agreement (CFTA). (Another equally large aspect of the CFTA request from the U.S. Trade Representative--the impact of Canadian duty elimination on U.S. exports--will be investigated under another budget activity as a section 332 investigation.)

Expenditures drop in FY 87 as it is expected to be a more normal year in this budget activity with resources required only for the final phases of the CFTA study and a standard, annual GSP review for the U.S. Trade Representative.

Question #10: What progress is being made on the U.S. adoption of the Harmonized System? How will adoption of the Harmonized System affect the workload of the Commission?

RESPONSE: Internationally, the Harmonized System (HS) is proceeding toward a scheduled January 1988 implementation date. The text of the convention implementing the HS and the HS nomenclature have been agreed upon. The Harmonized System Committee is in the process of revising the Explanatory Notes to the HS and Commission staff is participating in that work.

Domestically, the Commission transmitted its HS-conversion study to the President in June of 1983. Since that time the Trade Policy Staff Committee (TPSC) held hearings and received submissions on the conversion. A revised conversion was published by the TPSC in September of 1984. Additional public comments were requested at that time. The TPSC is currently conducting a final review of the conversion and the submissions received from the public and private sectors.

Prior to U.S. adoption of the Harmonized System, extensive negotiations pursuant to Article XXVIII of the GATT will be necessary to adjust trade agreements concessions between the United States and its trading partners. The Commission has been asked to prepare extensive trade concordances for the Office of the U.S. Trade Representative (USTR) in preparation for those negotiations, as well as to provide staff assistance to the USTR in Washington and Geneva.

In addition, since the Harmonized System will be used for the collection and reporting of export data and since comparability with production data must be maintained, the Commission is working with the Census Bureau on revisions to Schedule B and the SIC-based production codes.

U.S. adoption of the Harmonized System for tariff purposes, of course, requires Congressional approval. Consequently, we expect that in view of the Commission's tariff expertise, we will be asked to prepare draft tariff legislation converting the TSUS into the structure of the Harmonized System and expect to be working with the USTR and Congressional staffs on such legislation.

U.S. adoption of the HS will have a far reaching effect on the international trade community and will require reprogramming of all trade data bases since the U.S. systems for collecting customs duties and reporting trade statistics will all change drastically. The changeover will have an unavoidable negative impact on the continuity of data for the length of the transition period. We, of course, believe that the long term improvement in international and domestic comparability of trade data will far outweigh the impact of this temporary disturbance.

The Commission will be further affected by U.S. implementation of the HS in that we will need to maintain 2 tariff schedules concurrently in 1987, i.e., the 1987 edition of the TSUSA and the converted tariff schedule which is scheduled to be published early in 1987 in order to provide the importing community with as much advance notice as possible.

Finally, if the U.S. does adopt the HS a mechanism should be established for representation of United States interests on the Harmonized System Committee, the Committee established by the HS convention for administration and maintenance of the HS. In view of the technical nature of the work and the legal, tariff and product expertise of the Commission, we expect to be called upon to participate meaningfully in ongoing HS work.

Question #11: Your budget justification indicates that during FY 1985, the Commission considered 61 unfair import practices cases. How many of these cases have been completed; in what percentage of the cases did you find injury; and what remedies were ordered?

RESPONSE: In fiscal year 1985, of the 61 unfair import practice cases under section 337 worked on, the Commission terminated 45 investigations and had 16 pending at the end of the year.

Of the 45 investigations terminated, 24 were terminated at the request of the parties, and therefore the Commission never reached the substantive issues of violation. Of the remaining 21, the Commission made affirmative findings in 13, or 62 percent, of the investigations. In 8 investigations there were findings of no violation, 2 solely on the basis of no domestic injury, 2 solely on the basis of no substantial injury, 2 solely on the basis of no unfair acts, and 2 on the basis of no unfair acts and no substanial injury.

Question #12: Your budget request shows an increase of $66,000 for additional space. Is this increase associated with your relocation? If not, why are you requesting additional space at this time?

RESPONSE: The ITC is very pressed for office and storage space for its employees and files. Further crowding is anticipated by the time we prepare for our move in late 1987. Therefore, the need to obtain a limited amount of temporary office and/or storage space prior to our relocation has been projected.

Question #13: The Commission has an authorized staffing level of 482. Are you currently staffed up to your authorized level?

RESPONSE: As of the date of our hearing, March 12, 1986, the Commission had 477 of the 482 authorized permanent positions filled. The remaining five positions are currently in the final stages of the selection process.

Question #14: Your budget includes a space rental increase for FY 1987 of $365,000. What percentage increase does this represent?

RESPONSE: GSA, in using their revised "comparable rent method" computation for determining the per square foot rent charge for each building occupied by the Commission, increased the Commission's total rental charge for FY 1987 by $365,000 or 20.6%. Our rent estimate was derived by GSA by comparing the rental charges from three comparable locations, which enabled an appraiser to determine a rental rate for ITC space. The rental rate was then reduced by 15% in accordance with direction from OMB to help reduce spending within the Federal Government.

SUBCOMMITTEE RECESS

Senator RUDMAN. Our hearing will be in recess.

Thank you.

[Whereupon, at 12:45, Wednesday, March 12, the subcommittee was recessed, to reconvene at the call of the Chair.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

WEDNESDAY, MARCH 19, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:35 a.m. in room S–146, the Capitol, Hon. Warren Rudman (chairman) presiding.

Present: Senators Rudman, Specter, Hollings and Bumpers.

DEPARTMENT OF STATE

STATEMENT OF HON. GEORGE P. SHULTZ, SECRETARY OF STATE

ACCOMPANIED BY:
- **RONALD I. SPIERS, UNDER SECRETARY FOR MANAGEMENT**
- **ROGER B. FELDMAN, COMPTROLLER**
- **ROBERT E. LAMB, ASSISTANT SECRETARY FOR ADMINISTRATION AND SECURITY**

BUDGET REQUEST

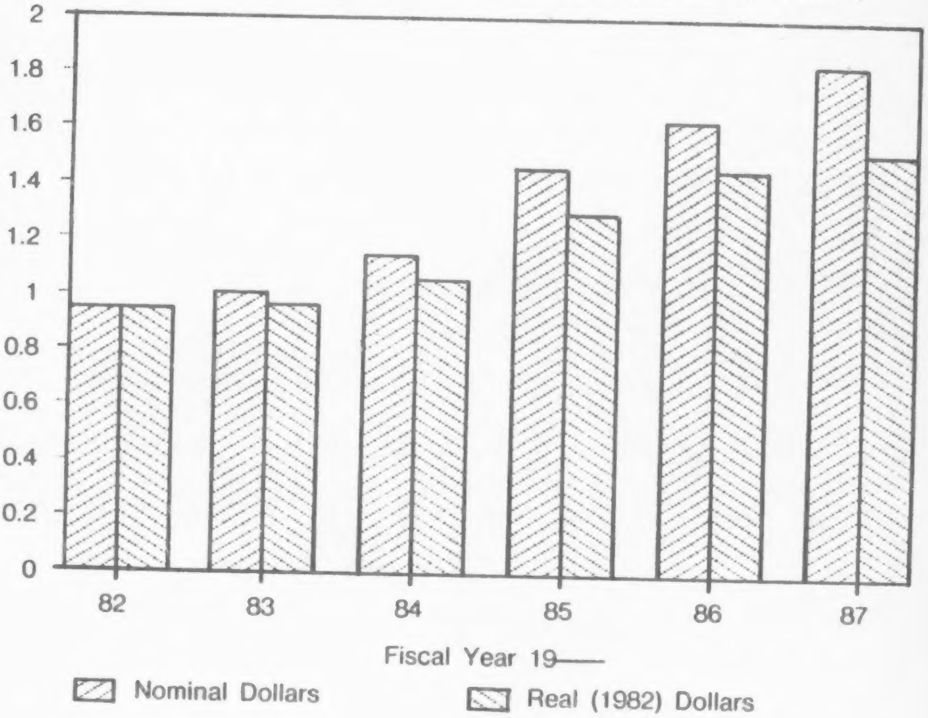
Senator RUDMAN. The subcommittee will be in order.

Mr. Secretary, we are delighted to have you here this morning. I thought we would turn the tables a little bit. Everybody is always showing us charts. We thought that we would have some charts here because this subcommittee is most mindful of your request, and we have honored them. This year despite our budget restraints, we wish to try and honor them again, but I thought we would go over them.

The Department is requesting $702 million in supplemental funds in 1986 and $3.92 billion in 1987, an increase of $1.538 billion over the Gramm-Rudman-Hollings sequestration level of this year.

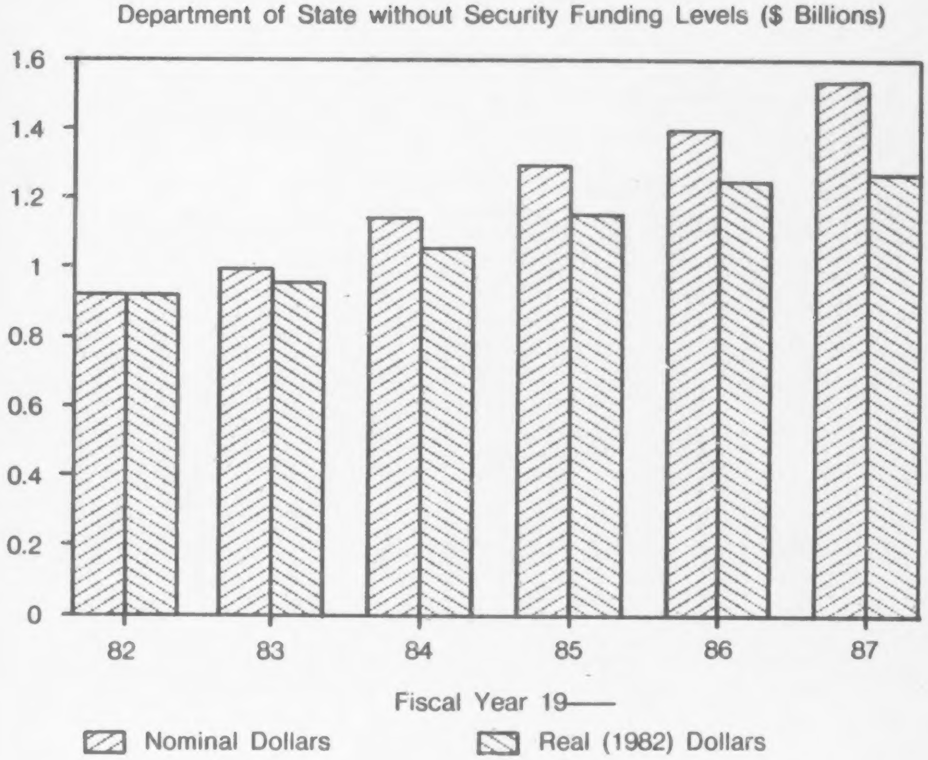
Before you begin, Mr. Secretary, I thought we might look at several charts which show the nominal and real increases we have provided to the State Department beginning in fiscal year 1982, the first full year of the Reagan administration.

Department of State with Security Funding Levels ($ Billions)



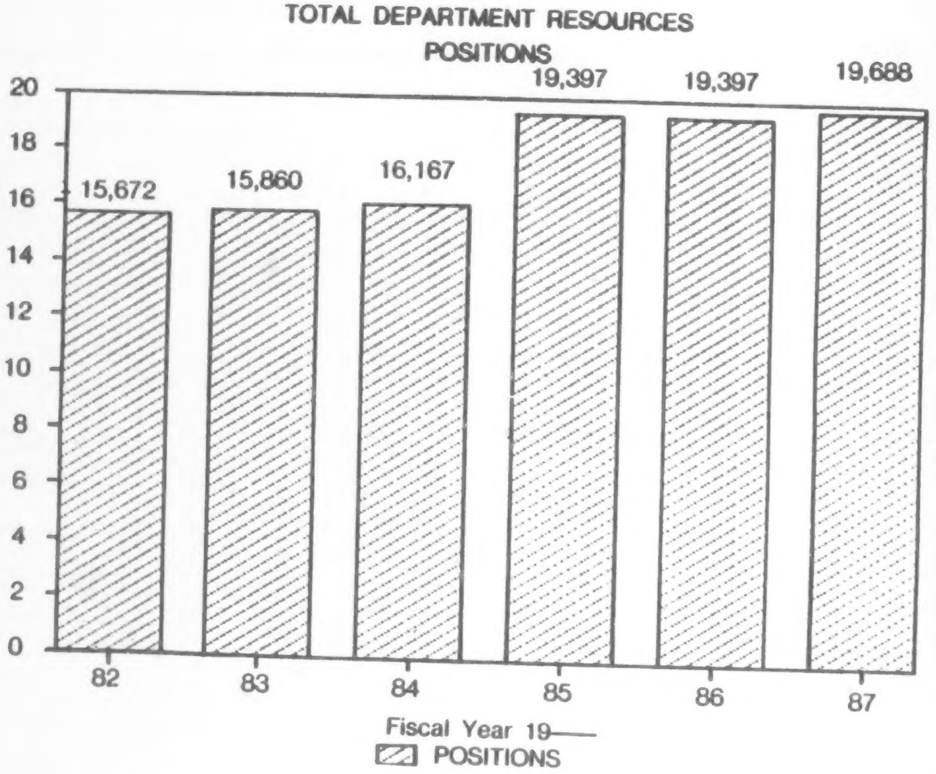
SALARIES AND EXPENSES

The first chart (above) shows the salaries and expenses appropriation, together with the supplemental security funds we have provided through 1985, and includes a request for 1986 and 1987. The real increase through 1987 would be 60 percent. That, however, really is unfair and misleading.



NOMINAL AND REAL INCREASES

The second chart (above) shows the nominal and real increases with supplemental security funding backed out in each fiscal year. Although some security funding remains in the base each year, by and large it represents the increases we have provided to the State Department for its normal operations. Through 1987, the real increase would be 38 percent over the 1982 level.



INCREASED POSITIONS

Finally, the third chart (above) shows the increase in positions since 1982 for the salaries and expenses appropriation with supplemental security positions backed out in each fiscal year. Again, some security positions remain at the base, but this primarily represents the positions used for normal operations and shows a 25 percent increase over fiscal year 1982.

We certainly don't want to suggest or mean to suggest that any of these increases were unnecessary or unjustified. We simply want to suggest that we all must share a portion of the blame for the budget problems that we face and that we are all going to have to recognize that future increases in any programs of the magnitude experienced by all Departments, including the State Department, are not going to be acceptable if we are going to meet the deficit reductions targets under Gramm-Rudman-Hollings given the President's statement as to how they are to be reached.

G-R-H GRAM

The other thing I wanted to say to you, Mr. Secretary, is that I was very pleased and somewhat amused to find in my mail from somebody that works in one of your embassies a wonderful new publication called a G-R-H Gram. At the Brussels Embassy, Ambassador Swaebe, who I know and greatly respect, now has a series of these out which are telling the embassy how they can be more efficient to save money and meet the targets and make the Department more operational. We were pleased to see that people are taking these numbers seriously. We know you are.

Fritz?

BUDGET COMMITTEE COMPROMISE

Senator HOLLINGS. Mr. Secretary, of course we want to really hear from you. I think, though, we can help a little in bringing all this into perspective with respect to the budget to be presented here in the next half hour by the Budget Committee.

We have a Domenici-Chiles-Hollings-Boschwitz compromise, and the 150 function will be cut by $1 billion. Now, most of the savings comes out of the unexpended funds, almost $14, $15 billion, and that is mostly out of foreign military sales.

Otherwise, the salary expenses are increased but we are not going that strongly into the security in the sense that we are not weak on security, we just are downright cautious. We look at Lebanon, and Caracas where we are buying 10 acres for $10 million dollars.

We worry that the selection in the Department of State has done a little too much for the Gramm-Rudman-Hollings. However, I don't want to try to get into any deficits. You can visit, but you ought to have whoever is in charge of the property division look at it. We can't fill it all in 1 year, particularly when you are buying property at a million bucks an acre.

We will get into more trouble trying to go ahead with the needs of the Department of State if we don't calm it down right at the very beginning. But let me hear from you.

Senator RUDMAN. Mr. Secretary, your entire statement will be in the record. You may proceed in any way you would like to proceed.

COMPLIANCE WITH GRH LAW

Secretary SHULTZ. Thank you very much, Mr. Chairman and Senator Hollings. Let me just make a few informal comments before proceeding to my comments in response to things each of you has said. I take very seriously the effort to get control of the budget deficit and get expenditures down, and I think that the Gramm-Rudman-Hollings law has signified to everybody how seriously this government now takes that problem. Somehow or another, we have got to come to grips with it. We feel we should do our part at the State Department.

We are the smallest department of government, so you could eliminate us and you could hardly notice it. That doesn't mean we shouldn't do our part. Among the things I am doing, I have formed a special group within the Department consisting of three experienced Career Ambassadors, Ambassador Bray, Ambassador Viets, and Ambassador Harrop, who is also our Inspector General now.

The other two are between assignments, so they are giving full time to go through on a zero base and comb through this budget in every way they can and see what we can take out. No item is too small. We will be working on it.

Along with that, I have asked Ambassador Price from the U.K. and Ambassador Swaebe from Brussels, whom you just quoted, to be part of that group. Both of them are very experienced managers of private enterprises and have been running embassies, each of them, two embassies for the last 5 years, so they understand the nature of the diplomatic problem. They will not only do the things that Brussels has been doing, but on the basis of their experience, help us cut everywhere. It is sort of like the old days when I was president of a large company and we had a cost-cutting drive. We really go into it, and we are.

I will have some examples. So we are working at this now.

EMBASSY SECURITY

With respect to the charts, no doubt the charts are correct. What they reflect, basically, is the nature of our problem. We have three things going on: One is an increase in the security problem that we face, and that has brought forth the Inman panel recommendations. It has brought forth our recommendations on what to do, and you are dealing with them. We think they are very important, and we just have to change, and change locations of buildings in many cases. It is a big, expensive program, and it is planned over a 5-year period.

However, it isn't just the building program. There is more personnel effort going into security, and the same is true of communications, and our ability to withstand the intelligence drive on us and so on.

EMBASSY PERSONNEL

All of these things create the need for personnel. Furthermore, as you well know, 70 percent of the people who serve in our embassies abroad are not in the State Department. We have to somehow size and administer these embassies to take care of an increasing number of people from other departments. As a matter of fact, right now, the largest number of people serving in our embassies abroad are from the Defense Department, more than from the State Department. But yet that has an effect on size, that there are Americans from other Departments. You have to worry about the security. We don't just look after our own people, but all the others as well.

The result of this has been that these kinds of demands get served, and our reporting and analysis function, which is the essence of what we do, gets squeezed. To the extent we have been wanting to build up, we do have proposals to build up. One of the things we are trying to maintain and improve is our reporting and analysis function. If we don't do that, we might as well not be there. Otherwise, we are just keeping house for other people.

So I respect the material that is put forward there. If it is accurate, it is reflecting a problem that we face, and we are trying to cope with it.

BUDGET RESTRICTIONS UNDER GRH

Senator RUDMAN. Mr. Secretary, I would emphasize that the purpose of the charts this morning, as you realize, that the committee has tried to work with the Department, is to illustrate the genuine, real pressures on this subcommittee and others to do things that this Government must do. This committee has recognized that. We will recognize it again this year.

The problem we have, of course, is one that goes beyond the State Department. The problem we have is to try to work within the constraints of budgets and statements of the President as to how we can reach those numbers. We are faced with a real problem.

I am not going to ask you questions you can't answer, but you know what I am alluding to. We have limited resources.

If, in fact, a majority of the Congress is not willing to reduce certain domestic programs that I might be willing to reduce, but you can't get 51 votes to reduce it, then either we cut things out of there that we ought not to cut, or we find other ways to raise the funds. That is what Senator Hollings and Senator Domenici and the Budget Committee are facing this week.

I just put that up to show that there are genuine and real reasons to review the State Department budget. You will note that we review only your administrative budget, because the State Department budget contains a great deal more, such as some international organizations. I just want to get an understanding; it was up there for a specific reason, to illustrate a point of what the committee has been faced with, certainly since I have served on it, and for Senator Hollings, a great deal longer than that.

HIGHLIGHTS OF STATE DEPARTMENT BUDGET

Secretary SHULTZ. Let me take you up on your invitation to put my testimony on the record. I will skip through it in the interest of getting to our discussion.

I am here, of course, to discuss and defend the President's budget recommendation for the Department of State. For fiscal 1987, we are requesting $2.5 billion to support the Department's normal activities at home and abroad. That is just about the same as last year. We are requesting an additional $1.4 billion for our Diplomatic Security Program. That is a very large number. It is an increase from last year. That is where all the increase is. It is a follow-on to this program that we have been discussing and for that matter, I would say the committee has been urging us to do.

I remember our hearing last year when we put emphasis on the importance of doing this. We need to upgrade security for our people in our facilities. There is a serious threat. We need to keep working on our ability to collect and interpret information abroad, our reporting and analysis function, which has a relatively small number of positions.

But they are vital, as I was saying. I want to call your attention also to the need to improve our capability of handling information and modernizing and of bringing ourselves up to scratch in that regard, while at the same time doing it in a way that we aren't picked to pieces by the intelligence services of other countries.

I know you all are very concerned about that. So this is a summary, and in my testimony I do cite how much goes to international organizations, how much to international commissions and to the various other appropriations from our own State Department funding.

UNITED NATIONS BUDGET PROCEDURE

Let me just say with respect to the United Nations that we are doing everything we can to urge them to budget carefully. We have made some headway in that regard. We are trying to get some sort of special administrative machinery in place, recognizing that it is not likely that the Charter will be amended to provide for weighted voting, but we feel that if we can get sensible budget procedures in there and we can get a reasonable result, then we can come back to you in terms of the Kassebaum Amendment and put ourselves in a position to pay what we have agreed to pay.

I would hate to have the United States not pay what it has agreed, and at the same time, I am totally sympathetic with the notion that the international organizations have got to cut the mustard, too, on budgeting, and this is geared to try to help us do that.

THE STATE DEPARTMENT AND THE FEDERAL BUDGET

I think, frankly, that the country is getting a bargain in this State Department budget. Our regular operating budget is 0.4 percent of the overall budget of this government. It is of tremendous value. Our Embassy in Manilla, for instance, cost us last year $9.5 million.

PHILIPPINE OPERATION

Senator HOLLINGS. They weren't buying shoes for Mrs. Marcos. Where does the money come from? Does it come from all that other stuff, foreign military sales, or Subic Bay? It doesn't come from you. They're not buying dresses and shoes. Nine million wouldn't begin to cover that couple that just got loose.

Secretary SHULTZ. Senator, if our embassy hadn't done the quality of job we have done, we might have wound up without those bases. What you would be looking at, at this time, is $12 billion in replacement costs.

Senator HOLLINGS. I am saying it has got to be coming out of foreign military sales, maybe the Defense Department, or AID.

Secretary SHULTZ. It is not necessarily coming out of any of those things, and I think we are gradually beginning to see the pattern of operations. That is a very unpretty thing, but what I want to call to your attention is the bargain that the country is getting in this recommendation.

OVERSEAS SECURITY

I am not going to belabor further the importance of overseas security. There is no dissent, as far as I know, in the committee in the importance of doing this. We had an outstanding Inman panel. We had 91 recommendations. We have implemented about half of them already. We need legislation for some of them. There are a few that we didn't agree with, so we are not doing them, but this is something that we are very strong on, obviously, because our people are on the front lines. There is no doubt about it, and we have got to help them.

I have detailed in my testimony some of the things that we have already done and the things that we are proposing to do and why we need the help, the large-scale help, to make the changes that are called for. I would like to emphasize that we don't want to turn our embassies into fortresses; that is not our idea, and we are not going about it in that way. We want to make them continue to be places that people want to come to.

However, we have to recognize that people don't want to come into an insecure building or an insecure library. They want to feel that what can be done has been done to take care of it properly, and if there are screens on people coming in, on the whole, that is comforting.

It is like airports. You wouldn't feel very good about an airport when you get on a plane these days without security. You like it because you have to go through something, and that everybody does, and it gives some reassurance. So that is the way we are administering this.

REPORTING AND ANALYSIS

I have talked about the reporting and analysis function, how important it is and of our efforts to bring it back. We discussed that in the committee before. You have encouraged us to continue this program in the total scheme of things. It is not high in terms of dollars or positions, but it is vital to doing our job.

INFORMATION SYSTEMS

I have also mentioned the information systems. We live in the information age now; the industrial age is over, and we have to keep up with it in our diplomatic effort to take advantage of information systems, to make ourselves as modern and strong as we can. That is part of it.

DEPARTMENT'S TASK FORCE

I have also mentioned the task force that we have put up. That task force has been making recommendations. We have been putting them into effect where we can without hesitating, and we intend to continue this very strongly. We also want—and I talked with the President about this, and he has given me full endorsement—to get the heads of other departments together and look at the overall picture of Government staffing abroad to see if we can't get the number of personnel down and under control. Mostly, it is not in the State Department.

We will try to get them under control and that, of course, will have an effect on the sizing of the embassy buildings. We will know what we have to provide the space for.

So we will take the deficit and the spending problem very seriously. We are working hard at it. It was interesting to me that you picked up on the Swaebe/G-R-H Gram.

Senator RUDMAN. That is number 1 of 5, Mr. Secretary.

Secretary SHULTZ. He is doing it, and he is a very good private sector manager.

Senator RUDMAN. Senator Hollings might like to have the H removed. I am not sure.

Senator HOLLINGS. I will change that H to K for Kennedy.

Senator RUDMAN. Does that conclude your testimony?

Secretary SHULTZ. That concludes it. All these choice words we have slaved over will go in the record and, I am sure, be read avidly.

[The statement of Secretary Shultz follows:]

PREPARED STATEMENT OF HON. GEORGE P. SHULTZ

SECRETARY OF STATE

Mr. Chairman and members of the Committee:

Today I am here to discuss the President's request for the operating budget of the Department of State. For Fiscal Year 1987, we are requesting $2,510,070,000 to support the Department's normal activities at home and abroad, almost the same as last year. We are requesting an additional $1,413,125,000 for our Diplomatic Security Program, making a total request of $3,923,195,000.

The first priority of this operating budget is to upgrade security for our people and for U.S. facilities overseas against what we all now recognize is the serious threat posed by international terrorism.

Our second priority is to strengthen the Department's ability to collect and interpret information that is critical to the formulation and implementation of our foreign policy. A number of these activities have been directed by the Congress.

A third area is improvement of our information systems. This is necessary so we can make optimum use of modern technology in the formulation and implementation of our policies.

Let me first summarize our overall request.

The appropriations for Fiscal Year 1987 are in four major categories; First, we seek $3,381,774,000 for the Administration of Foreign Affairs. This covers the

Department's basic diplomatic and consular functions, salaries, operating expenses, allowances, overseas building construction, maintenance and security.

Second, under the heading of International Organizations and Conferences, we request $493,221,000 to cover assessed contributions to international organizations of which the United States is a member. This sum also covers our contributions for United Nations peacekeeping activities, and our participation in multilateral international conferences.

Third, under the heading of International Commissions, $29,700,000 is required to meet our treaty commitments under boundary agreements with Canada and Mexico and to cover our share of expenses as a member of eleven international fisheries commissions.

Finally, under the heading of "Other Appropriations," we request a total of $18,500,000. This sum is necessary for the Fishermen's Guaranty Fund; for our Bilateral Science and Technology Agreement with Yugoslavia; for the Asia Foundation; and for the Soviet-East European Research Training Fund.

Overall, the resources we are requesting have been accommodated within the FY-87 budget and the deficit target contained in the Gramm-Rudman-Hollings legislation.

To keep within that target, we are undertaking a number of measures. We have curtailed travel from Washington to our overseas posts. We are reducing our employment intake. We have cut back on procurement for furniture and other equipment. And we are reducing seven consulates to consular agencies.

We fully recognize the gravity of the fiscal situation facing the Congress; and we have drafted this budget understanding the difficult choices you will have to make in the coming months. We respectfully ask that, in making these choices, you bear in mind the following points:

First, although we are the leader of the free world, only 2 percent of the federal budget -- only 2 cents on the dollar -- goes toward the operation of our embassies, consulates and cultural centers abroad, and toward security assistance and economic development programs. If you exclude the latter two, our operating budget, which is the request before you today, amounts to only 0.4 percent of the federal budget. That's right, only 0.4 percent!

Second, our overseas presence is crucial to our interests, and actually saves much more than it costs. Our embassy in Manila, for example, cost $9.5 million to operate last year. Its role in allowing us to assist in the peaceful transfer of power to President Aquino is obviously a good return on that investment. Furthermore, its role in future negotiations on our base rights in the Philippines, if successful, will save the taxpayer an estimated $8 to $12 billion in relocation costs.

Every day, in some country, an American embassy, fully staffed with our best people, is intervening to promote U.S. exports, which means jobs and investment for our people. Thus, in 1985, one of our embassies intervened with a foreign government to clinch a $1.5 billion aircraft sale to that government. And virtually every one of our embassies is working actively to increase our agricultural markets, which is so important to resolving the domestic farm crisis.

Third, our operating budget request is essentially the same as last year, if you discount our Diplomatic Security Program. Security is a special, new challenge, to which I would now like to turn.

Overseas Security

In current circumstances, we must give priority to the need to improve the security of our people and facilities abroad. Over the past few years the attention of the world has been riveted on terrorist dramas unfolding around the globe. This is a new and chilling phenomenon. Civilized nations and peoples are not anywhere near well enough equipped to deal with this horrifying challenge to their security. But the very character of the threat has strengthened our determination to deal with it. We must do everything we can to thwart those who seek to advance their ends through such indiscriminate violence. We in the State Department and our colleagues from other agencies serving abroad are on the front line, and some have been victims of terrorism. The courage and patriotism of our people and their families in facing the dangers is inspiring. We must ensure their safety, even in this period of budgetary stringency.

The Advisory Panel on Overseas Security

To meet this challenge, in July 1984 I formed the Advisory Panel on Overseas Security headed by retired Admiral Bobby Inman. The Panel was asked to take a hard look at our security and counter-terrorism programs and to recommend steps we could take to improve the protection of our personnel and facilities abroad.

I am extremely pleased with the Panel's report. Its hard work and dedication is clearly reflected in the quality of the report. The Panel exhaustively researched all aspects of our security and counter-terrorism programs. Its recommendations have vision and, perhaps more importantly, are practical. They are recommendations which, with your support, are achievable.

The Panel gave us 91 recommendations. We have implemented 45, and work is underway on 20 more. An additional 20 are awaiting the resources we have asked for in our 1986 supplemental request.

The recommendations in the Panel's report focused on three central points:

-- first, that a Bureau of Diplomatic Security with a Diplomatic Security Service be established in the Department to increase the professionalism of our security personnel and programs;

-- second, that my overall responsibility and that of the Chiefs of Mission for overseas security programs be emphasized because such supervision is fundamental to good management; and,

-- third, that significant new resources be made available for a comprehensive worldwide security program to protect all government employees abroad. A key element in this security effort is a major multi-year construction program to rebuild or replace embassies and consulates overseas which fall significantly below our physical and technical security standards. Other elements are the upgrading of our communications with state-of-the art technology so they are faster and more secure, and the improvement of intelligence-sharing with host governments and within our own government.

Actions Taken

The Bureau of Diplomatic Security and the Diplomatic Security Service have been established, with your support, through reprogramming of funds. In addition, using existing funds and authorities, we have already:

-- started an ambitious recruitment campaign to bring on board nearly 300 new security agents during FY-86 and to more than double the number of overseas security officers, pending the approval of our security supplemental request;

-- significantly improved training for security agents;

-- streamlined threat-alert procedures;

-- increased the number of local guards worldwide;

-- added more Marines and Marine Guard detachments to posts;

-- nearly doubled the size of our armored vehicle fleet overseas;

-- made significant physical security improvements at 152 posts; and

-- dispatched mobile training teams to high-threat posts to provide specialized security training to U.S. government personnel, dependents and Foreign Service Nationals.

Many of our overseas posts face busy streets. Some have extensive glass facades. Some share walls with non-U.S. government tenants. All this is generally undesirable. In some cases, it is simply unacceptable.

The proposed program places its highest priority on buildings at locations where the security threat is greatest and which are substantially below the new standards.

Great effort has gone into creating a construction program which would ensure that buildings are designed and built to meet stringent security standards, on time and within budget.

Our proposals are more than a security construction program. We will also improve communications and counterintelligence. For example, we will improve security in Moscow and at other East European posts by substituting Americans for a substantial number of local employees now working in support positions.

Further, we are requesting resources to strengthen our capability to protect foreign missions and dignitaries in the United States.

We are working closely with other agencies to develop appropriate security standards, procedures, and levels of resources in order to meet the needs of all U.S. government agencies having facilities overseas, except for military bases.

To initiate our new Diplomatic Security program, we are requesting an additional $4.4 billion spread over five years.

Of this total, $2.7 billion is for construction. The balance is for operating expenses, including security officers, residential security improvements and more secure communications equipment. In FY-86 the Administration is requesting an urgent supplemental of $237 million for salaries and expenses and $455 million for construction. In FY-87, the request is $304 million for salaries and expenses and $1.1 billion for the Foreign Buildings Program.

Mr. Chairman, the Administration's proposal is a major, national program to improve the physical and technical security of all civilian departments and agencies abroad as well as the physical security of foreign missions and officials in this country. Our overriding goal is to maintain the American tradition of overseas posts that extend the warm hand of welcome to the local population. We do this in a time when foreign relationships play an even more important role in the political, economic, and security interests of the United States. The program discussed here today is intended to ensure this openness in light of the dangers of today's world. We must not forget the purpose of our overseas presence is to spread our message and communicate our ideals to other nations, not to overwhelm our hosts with the aura of our power by erecting forbidding fortresses.

I have found in working with this committee and our counterparts in the House that we all share a common commitment to protecting the essential security of our people and missions abroad. This commitment must have the highest priority. Without it, how can we ask our people to serve their country overseas? That, I submit, is the fundamental issue.

Reporting and Analysis

Mr. Chairman, I will now turn to another priority, reporting and analysis, which is the central purpose of our embassies abroad. We require perceptive and deeply probing analyses of the politics, economic circumstances, and the social forces at work in each country where we have significant interests. Our reporting officers' understanding of the events and policies in the countries to which they are assigned shapes our perception and plays a major role in determining the official U.S. outlook. The clarity and foresight of our foreign policy depends on the quality and discernment of these reports. Events in the Philippines are only the most recent example of the crucial role of reporting and analysis.

The Department is the single most important source of information relating to foreign affairs in the United States Government. This information is regularly provided to more than 60 Federal departments, agencies and public entities. These organizations fall into four principal groups: security-intelligence, economic-commercial, scientific-technical and public service agencies. The Department is the source of more than half the government's information in the first two areas, and of about two-thirds of our information on the internal politics of other countries and international relations generally.

Most of this important information comes, of course, from Foreign Service reporting and analysis. Yet our ability to meet national reporting and analysis requirements has declined due to personnel cutbacks in this area over the past decade. Not enough junior officers are getting the necessary training in the necessary techniques. As a result, we are short of the reporting expertise we should have at a time when we face new demands for this expertise, on subjects such as terrorism, human rights, and narcotics.

The Department has identified areas where our reporting and analysis capability is deficient and has a plan to remedy that deficiency. In the last two years we have been rebuilding our capability, but we need this fiscal year's request of $10 million for 198 new positions, as well as next year's, in order to meet our goal.

Information Systems

A final area of the Department's activities I will discuss today is our information systems. In order to have effective reporting and analysis, we need to better manage the increasing volume of information that flows through the Department. Our two most important assets are our people and the information that contributes to their effectiveness in carrying out the Department's mission. Information is obviously critical to the conduct of foreign relations and plays a dominant role in our day-to-day activities. And we live in an age when new technologies make it possible to collect, interpret, and disseminate ever-larger and more accurate volumes of information to the benefit of informed decision-making.

The Department is striving to strengthen our information systems in order to promote more effective foreign policy decision-making and administration; reduce demands for human resources; protect national security information and sensitive unclassified information from unauthorized access; and to comply with information statutes, Executive Orders, and directives.

We are currently making major improvements in our information management systems to achieve these objectives. In 1987, we are requesting $26.6 million and 144 new positions for this purpose.

CONCLUSION

Mr. Chairman, I wish to make one last point. I understand there are proposals in Congress for the 150 Account which could entail cuts of $2 billion from our FY-87 request. That kind of slash would require a cut of almost $220 million in State's operating budget, or 15 percent.

What would this mean for the day-to-day conduct of our diplomatic relations?

Last December, we formed a task force, including three senior former ambassadors, one of whom had also served as our inspector general, to tell us how we should make our contribution to reducing the deficit. They have been working full time for the past two months, completely re-evaluating our ways of doing business to come up with innovative cost-saving alternatives. They're still at work, but in the meantime, they have reviewed the impact of a $220 million cut in our operating budget.

What they have found is sobering.

First, remember that our operating budget represents only 0.4 percent of the federal budget. Second, the Department is made up of people, not programs.

If, for example, we closed or curtailed 40 of our embassies and consulates abroad and if we reduced our headquarters staff in Washington by 20 percent -- and if we could do all of that by October 1 -- we would save $65 million next year.

If, in addition, we reduced the staff in our larger and most important embassies by, say, 600 positions -- and if we could do all of that by October 1 -- we would save an additional $60 million.

We would then have cut only 57 percent of the $220 million needed to satisfy the House Budget Committee. And at a heavy price.

What signal would we send to our adversaries and to our friends when they see the leader of the free world close down its presence in 40 cities or countries around the globe, all because it felt it could not afford 0.4 percent of its budget for the operation of its international relations? Our adversaries, including the terrorists, would like nothing better than to have us do for them what they have been unable to accomplish on their own: force Americans to go home.

Mr. Chairman, the Department of State does not have weapons systems to stretch out. We do not have programs we can transfer to state or local governments.
We cannot "privatize" our diplomatic activities, for obvious security reasons. The massive cuts under consideration by the House Budget Committee would ravage this country's international presence and seriously harm our national security.

The United States can no more do without our diplomatic bases -- our embassies -- than we can do without our military bases. I cannot think of a more economical way of defending our interests abroad than by spending only 0.4 percent of our federal budget for State Department operations. To put it another way: I cannot think of more costly budgetary "savings" than cutting 15 percent of that 0.4 percent.

Mr. Chairman, I urge you and your subcommittee to give this budget your strongest support.

This concludes my statement. I will be happy to respond to any questions you or the members of the committee may have.

PERFORMANCE OF PHILIPPINE EMBASSY

Senator BUMPERS. I can hardly wait to get home.

Senator Hollings. We will try to get you to get another statement and economize. Get another speech writer; gee whiz.

Secretary SHULTZ. Now wait a minute. I don't agree with that. I think our embassy's performance was outstanding. They were on top of that situation. Our reporting from them was excellent, and we were working with the Philippines. The Philippines is a country we have all these strong ties with, and we have tried to help them in their military reform, their economic reform, their political reform, and standing up to the Communist insurgency. The embassy did a very good job.

Senator HOLLINGS. There is no question about that. What I meant was the ticket was purchased with foreign aid. You see the Shah of Iran, leaving with millions. You see Papa Doc or Baby Doc, he ran off with millions. You see another fellow, Samoza, he goes with his millions; Marcos goes with his millions. We say, my God, all we have been doing is financing these. It wasn't the State Department and the embassy that doesn't work. Somehow, somewhere in our foreign aid operations, like I say, that is not you, likely it is the military sales.

PRIORITIES WITHIN THE BUDGET FRAMEWORK

I have been fighting over this budget in the Committee on the Budget. They want to cut way more out of your budget now, and on that particular point, I will yield to the Chairman, but I mean, they have really, instead of that $1.4 billion, something, you might as well count on about one-third of that not being available here in 1987.

If Senator Domenici's Budget Committee agrees on that amount, and I think they ~~will, it~~ will be hard to really increase that. I don't see any increases on the floor of the U.S. Senate because of the zero sum requirement.

Secretary SHULTZ. I think, Senator, then you have to tell people. If that is the case, they are qoinq to sacrifice important interests of the United States, because there just isn't any way that we can continue to operate in the manner that we now do. We have put up proposals for the closing of seven consulates. We will close posts, we will cut people way down, and then you will have to ask yourself, what happens to the interests of the United States? We do have interests all around the world, and we have a stake in security and freedom around the world, and the State Department is the representative arm in doing it. If you are not inside of the box, the country will pay a serious price.

Senator HOLLINGS. It is not a cut, it is not closing any embassy; it is just going to slow up the security measures.

Secretary SHULTZ. If we go slow on the security measures and somebody runs an explosive car into one of the embassies that we didn't do anything about, how are you going to feel about it? Personally, I think we should be pushing this program as hard as we can and, in your role on the Inman panel, you were one of the people on my back to get going.

EMBASSY SECURITY FUNDING

Senator RUDMAN. I agree fully, Mr. Secretary. I agree fully. I was going to get to that. I want to start out and say that I was honored to be asked by the Secretary to serve on the Inman panel. It is a very good panel. It was certainly nonpolitical. It was not influenced by the Department, because anyone who knows Admiral Inman knows that would be very difficult to do. The report was accepted by the Secretary, and I support its recommendations. I think we ought to do it.

Now, the Budget Committee, as I understand it, as of at least 2 days ago—and if I am wrong, Senator Hollings will correct me—had essentially recommended a spending freeze for the State Department and on security had recommended $400 million in each of the next 3 years, which would fall considerably below what you had planned, I believe.

Secretary Shultz. It surely would, not only what we had planned, but what you had urged us to do.

DEFICIT

Senator RUDMAN. What we had recommended, what we had recommended. So the question then becomes for the Budget Committee, working within a target of $144 billion deficit which, by anyone's number, is not a small deficit, that is the deficit allowed for fiscal year 1987, $144 billion plus 5 percent, which will be, I believe, the third or fourth largest deficit in the Nation's history, pushing up interest payments in fiscal 1987.

Incidently, Mr. Secretary, if you are talking about the amount of money the State Department spends, the interest payments we will have to appropriate in fiscal year 1987 by my calculation is going to be somewhere around $210 to $220 billion. It has gone from 6 percent of the budget to 20 percent of the budget.

So we are faced with this problem. I agree, and I believe there are some things that we ought to do to get the security funds up, but under this bill if we are going to increase the State Department security fund, we must take it from somewhere else. We just can't balloon it into the deficit, and that is the problem Senator Domenici is facing.

I will do all I can to get the security money up to some extent, but we are facing a very serious problem that the President is going to have to recognize. If the Congress won't adopt all these priorities, we will have to make some compromises. That is where we are.

Secretary SHULTZ. The President looked at this, too. He presented you a budget. It goes to the $144 billion. I know that you have your differences with it, but he faced these problems, too, and he laid his priorities out, and his priorities included looking after the security of the people whom we are asking to go out on the front lines and represent us.

Senator RUDMAN. Well, we can talk around this awhile, but it is going to take a lot of hard work to reach it.

Secretary SHULTZ. Yes, sir. I think we all see the problem.

Senator RUDMAN. The President doesn't like the Congress' budget. Congress doesn't seem to like the President's budget. The American people probably like neither budget, and if Jefferson and Madison were right, we are going to have some negotiations, some checks and balances and compromise. If we don't, we are going to have what Senator Domenici describes as "a planned train wreck." I don't think that will happen.

Secretary SHULTZ. I think people have the idea that somewhere within the framework of a trillion dollars, we ought to be able to figure out how to get the job done.

Senator RUDMAN. I think that is a reasonable assumption.

Secretary SHULTZ. That is not a bad deal.

Senator RUDMAN. Mr. Secretary, I want to turn to an item that I have written to you about. I know you have been very busy. I wrote to you 3 weeks ago, and we may not get an answer.

UNIFIL

You may or may not want to talk about this this morning. We may be willing to wait for a reply on UNIFIL. Last year, you know, for reasons that this committee thought were justified, after listening to Department people and listening to others who were interested, we did not provide the funding on UNIFIL the Department asked for.

I wonder if you want to comment about that today or you would rather wait to give us a more detailed response to our letter of February 18.

Secretary SHULTZ. I would like to respond right here on that.

Senator RUDMAN. All right.

Secretary SHULTZ. We recommend the appropriation for UNIFIL. We would like to see the balance of the 1986 money, somehow, that we didn't get. The reason is we think UNIFIL makes a contribution to stability, such as it is, in Southern Lebanon. We have fully recognized the difficulty UNIFIL has been operating under, and the debilitation of it.

I take my hat off to the countries that provided the forces there. I don't say that if UNIFIL disappears, there is going to be a cataclism, but I think that it does make a contribution. And I would hate to see it withdrawn.

We do have to step up to this, in all honesty, very, very shortly, because the renewal is about to be voted on, and we have to be candid with them and not mislead them. If somebody undertakes the burden, somehow or another, of funding the balance of fiscal 1986 on the strength of our assurance that we are going to be there in fiscal 1987 when we are not there, I don't think that serves any interest, so we have to be candid.

At this point, well, I will be interested in what you think I should tell them.

PROBLEM OF UNIFIL

Senator RUDMAN. Mr. Secretary, I am not prepared to tell you that this morning before discussing it with all the members of the subcommittee, because it is something I think we ought to talk about. As you know, we try to operate this subcommittee in a very bipartisan way. The problem is that the mandate of UNIFIL was to arrange for the Israel withdrawal and promote stability in Southern Lebanon.

Since the Israelis now have a presence there which they maintain evidently permanently and indefinitely, and they provide that function, many in the area question whether the U.N. force does any good at all. I guess it is a question of priorities.

You know, as we are looking at monies that were appropriated in this tough year, we say, is this really very important, and that is the decision that I would like to have some help on. I know Senator Hollings feels very strongly about that, as well. I can't give you an answer this morning, but you are entitled to one, and we will try to give you one.

Secretary SHULTZ. OK.

DEPARTMENT OF STATE HOME AND FIELD POSITIONS

Senator RUDMAN. Mr. Secretary, in 1987, you are projected to have 4,930 positions overseas compared to about 8,400 in the United States in the Department. Looking at the size of the Department here in Washington, it really has made the committee members wonder whether or not you are operating at an efficient number. That is a large number of people. It is almost, well, it is not quite 2 to 1.

Secretary SHULTZ. We feel that we are doing a good job in scrutinizing our personnel positions, and as a matter of fact, we have made quite a few savings in positions as a result of reductions on the personnel side and efficiencies there; in the administrative and consulate services, and in some of the post operations.

PERSONNEL INCREASES

So in terms of positions, we are seeking 609 new positions, and they are broken down. Reporting and analysis positions, which we are emphasizing, comprise 198 of those 609 positions. The large part of the increase is in information systems enhancement, which is specialized, and overseas administrative support. Those are the two biggest things. And new recruitments as a result of the overseas security program. We have made savings of about 200 positions, as I said, based on these efficiencies.

So we are scrutinizing the positions and coping with this in as effective a way as we can and will continue to do so. We have Ambassadors Price and Swaebe, and have the Viets, Bray and Harrop group really working at it. We are looking around everybody's office, including mine, where we can take a person out or two people out.

Senator RUDMAN. Of course, we have done that in the Congress, here, as well.

Secretary SHULTZ. We all have to do it.

PROPOSAL FOR AID TO THE CONTRAS

Senator RUDMAN. Mr. Secretary, one last point and then I will yield to Senator Hollings. I guess the hearing wouldn't be complete unless there was at least one question on the administration's proposal on aid to the Contras, but I would like to simply ask this question: One of the criticisms of the request that is being heard from people who agree with the assumptions made by the administration, namely, that the Nicaraguan Government is a long-term threat to Central America, one of the criticisms made is that the Contras are terribly disorganized; that this Government has not done a very good job in pulling them together, both politically and militarily; that they operate pretty much as independent contractors; there is much dissension between them; that the military leadership really doesn't pay much attention to the political leadership, and that if we put this $100 million in, we are absolutely going to get more of what we have had, which is fairly ineffective attacks against relatively soft targets in Nicaragua as opposed to doing what ought to be done in terms of causing that government down there real problems'

How do you respond to that?

Secretary SHULTZ. Well, first, we haven't given them any substantial help for almost 2 years. I think people need to recognize that fact. Those who say we should give negotiations a chance without military support, well, take a look: We haven't had any support for a long period. More recently, we have had the humanitarian aid that is structured in a way that makes it extremely hard to deliver, although I think we have the problem straightend out and it is not a large sum of money.

So that is one point. The second point is that we have been working with them. After all, it is first and foremost their problem, to get more coherence, and we have counseled them. It is not only what you are against that people are interested in; they are interested in what you are for, and so they have come together in Caracas, Venezuela and put together a statement of objectives and principles that fundamentally call for the kind of government and objectives that presumably were the object of the Sandinista revolution in the first place and which have become increasingly characteristic of Central America as you look around in the other countries in the region.

What are they trying to do? Democracy, rule of law, economic development; those are the things that they want.

Now, in a sense, you have three strands here. You have the sort of main line group that has come together, and I think they have coalesced pretty well. And you have Pastora, who is a very independent man, although Pastora and the main group have indicated that they want to work constructively together.

Then you have the Indians, who are a special case with their own problems and kind of an independent view, with whom we work with separately. We would like to see them more integrated with the overall flow. But you tend to have these kinds of problems when people are fighting for their lives and fighting, in a sense, in a guerilla capacity.

So I think there has been progress. There still is a way to go. But insofar as the use of U.S. influence because of the presence of our money, we have basically been out of there since June of 1984. Not only have we said no funds, but no intelligence sharing, and, for a long while, no talking to any other country about why don't you take a look at this problem; nothing. It really tied our hands.

So what the President is saying is that it is a big problem, and we should try to help. Personally, I think if anything is to be criticized in the proposal, it is that the funds are a little on the light side, but it is so much more than we have had before, and the potential responsiveness is so encouraging that we think this is the way we ought to proceed.

Senator RUDMAN. Senator Hollings?

NEGOTIATIONS WITH SANDINISTAS

Senator HOLLINGS. On that line, Mr. Secretary, certain people can make or take on certain initiatives with effectiveness and others can't; specifically, President Nixon going to the Peoples Republic of China. The Reagan administration started off with Secretary Haig and President Reagan in their talk about invading El Salvador, blockading Cuba, the evil empire. The next thing you know, 700,000 Americans spilled onto Fifth Avenue.

They weren't worried about Brezhnev; they were worried about their President. That is how it started off. So ever since then, it has been a Catch-22 situation. We can't bring the Contras or the Sandinistas to the negotiating table. Everybody around here wants to negotiate, negotiate.

Well, they won't negotiate, in all seriousness, unless you make a credible threat of force to bring them to the table, and once you make a credible threat of force, if every crowd that wants to negotiate will say, "Oh, my heavens, we can't do that," the President has to go out to TV and say, "Not one American troop is needed. I am not asking for that," and everything else. The Sandinistas say, "Fine, we don't have to negotiate."

Secretary SHULTZ. You are absolutely right, Senator.

UNIFL

Senator HOLLINGS. That is exactly the Catch-22 situation we have worked ourselves into, and it is making it tough. But in any event, I support it.

While I am trying to get back at some of these cuts, they are not casual. For example, the UNIFIL one, I noticed last month that how they characterize it is as Isreal acted. Not at all. Isreal has often charged the United Nations troops with being ineffective. And then on December 11, the Israel Defense Minister Yitzhak Rabin, said 5,500 U.N. troops in Israel's self-declared security zone in Southern Lebanon are no longer needed.

That is why we put it in. All we can see on our TV, that the best we know, is they were selling blitzes or something——

[Laughter.]

Senator HOLLINGS. —as Israel went forwards and backwards. They certainly weren't providing any security.

When the Defense Minister of Israel himself says, "Look, get them out of there," they ought not to be there at all, and we are looking to save money; offhand, it was calculated.

SECURITY PRECAUTIONS

On the other matter, with respect to the security, we go back to the experience of this particular subcommittee. Back in January 1979, we visited Tehran in January, some of us, from this same subcommittee right after President Carter spent New Year's Eve with the Shah. In February, they seized not only the embassy, but Ambassador Sullivan. Thereupon, we said, "What gives." And had Secretary Vance come up. We went into the same back and forth. We don't build fortress America. We have got enough money to build fortress America, but we don't want to build that, so we buy stop gaps, buy some Marines which can get you a couple or 3 hours to destroy your classified material, and then you have got to depend on the local security force, rather than putting the Marines out there and everything else.

Then a high school class went there in September of that same year. Within 15 minutes they took our embassy. When asked thereafter, the Secretary said resistance would have been provocative and destabilizing. Therein is the security.

We can't go buy up all of these lands and build all these fortresses, and even if we got one good, solid fortress, they could still bring acts of terrorism on the Ambassador himself and our American personnel.

So a good bit of this enhanced security, irrespective of Admiral Inman and his commission, has got to be done immediately. If there is any place, to use the example of driving cars underneath buildings where they ought not to be. Right this minute, I can put sand bags, blocks, 55-gallon drums with concrete and everything else so you just can't drive on the East Front. They ought not to be right this minute.

We can get the $4 billion done, over with, but particularly, in the light of the restrictions on the budget, not by buying million-dollars-an-acre property down in Caracas. We might have to chance that plan and move out from the center to around the periphery. Certainly, we need to look at that, and I know you haven't had a chance, but there is $98 million in there for furniture. The property section has got to tighten the numbers up.

I understand that they are going to get rid of 105 Soviet personnel in the U.N. over the next 2 years. We have notified them, but then we are going to let them take on 50 in a New York consulate. We wondered about Kiev, because intelligence said we don't have much to look at. I understood there were three options and State selected the highest one of about $60 million with 40 or 50 personnel.

U.S. DIPLOMATIC MISSION IN KIEV

What is the intent of the Department of State? Is there going to be a small, succint little group or are we going to put 50 people there in Kiev? What is the justification of that, particularly in the light of the notification to the Soviets about cutting back some 105 over the next few years?

Secretary SHULTZ. The Soviet cutback is in terms of their mission to the United Nations. This is not part of their diplomatic representation in the United States, as such. Their numbers at the U.N. are far in excess of anybody else's. In fact, if you take the next two largest missions which are ours and the PRC's and add them together, it still doesn't come up to the present Soviet total.

We think it is excessive, and it is a problem for us, given the disposition to espionage that we see in those numbers. It is on that basis that they have been told to reduce those numbers.

Now, diplomatic representation is a different matter, and going back a long time, we have sought the opening of a consulate and representation in Kiev. And we think it is a good thing for us. We are not represented, not part of the Soviet Union at all, and if we are going to set ourselves up there, then we should set ourselves up in a proper way and a proper way in the Soviet Union is expensive because of all of the related things you have to do in your information systems and your communications and so on, and I am sure you are familiar with them.

The plan is, of course, that they will be entitled to open an embassy or a consulate in New York City. That is basically the bargain that is made, and the two will be sized approximately in the same way.

STAFFING THE CONSULATE

So we think that initially, in our budget, we won't be able to staff the consulate probably as fully as we might like, but it will be built up over a period of time, and we ought to start out, physically, with the kind of arrangement that will be able to serve the function as we visit the country.

Senator HOLLINGS. That is how many personnel, did you say?

Secretary SHULTZ. I think around 30. Now, we have looked at various possible sites. We looked at existing buildings; we have looked at sites where something could be built; and we have had a site team visiting there. I believe at this point, they think that an existing building, actually one that was selected back in the late 1970's when this issue was very active before, still looks like probably the best deal. I Think that is right.

RECONSTRUCTION OF CONSULATE BUILDING

Senator RUDMAN. The information we have is that you are going to be requesting, in 1988, $48 million to reconstruct an existing consulate building in Kiev. That is the information that I have.

Secretary SHULTZ. Probably something like that, and it is an expensive deal.

PERSONNEL IN LENINGRAD CONSULATE

Senator BUMPERS. Mr. Chairman, if Senator Hollings will yield for one more point, how many people do we have in our consulate in Leningrad?

Mr. SPIERS. It must be about 25.

Senator BUMPERS. Is that the only representation we have in the Soviet Union outside Moscow?

Secretary SHULTZ. Yes, and their other representation here is in San Francisco, so we are reciprocal.

Senator HOLLINGS. We come back to one of Senator Rudman's problems, the property you have seen in Kiev does not have a setback.

Secretary SHULTZ. If you can't do it in all cases, when you can set your buildings back, you have a safety precaution that was very strongly recommended by the Inman panel. Where you have buildings that are adjacent to another building or where you are sharing them with somebody, you find that sophisticated electronics can pick your brain, so you don't want that. You have to insulate yourself.

It makes the construction of these buildings a lot more expensive than if you were just putting up a normal commercial office building in New Hampshire or someplace. It is a problem.

BUILDING LOCATIONS

Senator RUDMAN. The problem that we have found during the report was that some of the buildings were located in such a way that there was no way to secure them at all; that if you were going to have security, then you had to get another location, because the building was in a situation where it was just totally exposed, and I don't disagree at all, obviously, with the report or what the Department wants to do.

I am just saying to the Department and to the Secretary, in particular, during your Cabinet meetings, that somebody around this town is going to have to recognize that if we are going to compromise and do things we have to do, there are going to have to be realists. We are not going to get to the President's budget, as much as I may like some part of it, we are not going to get it that way. That is obvious.

The question is, how do we get to the need and have a reasonable compromise that is acceptable to everyone?

Secretary SHULTZ. I am sure on this construction program, we want to sit down with your committee and the comparable House committee and just go through it in detail, and you look and see. Of course, there are assumptions about how many people are going to be present, and here, again, we need to look at the volume of people, which, as I said, is mostly from other agencies. I am going to the other agencies and asking, "Do you need all those people?" It is principally Defense and AID. We are looking at that. So we are squeezing.

Senator HOLLINGS. Tell them no. You are tough. You are in charge.

Secretary SHULTZ. I am not in charge of every Department.

Senator HOLLINGS. You don't say Weinberger can put them in over your objection.

Secretary SHULTZ. If people want to put people in these embassies, it is up to them.

Senator RUDMAN. In the Stevens delegation coming back from the arms talks in Geneva several weeks ago, we stopped in London for meetings with the British defense people, and we had a briefing in the embassy. I was somewhat flabbergasted to find out that that embassy has about 800 people in it, but the number of State Department people in there was relatively small.

Secretary SHULTZ. That is right. I will tell you another problem that Charlie Price is railing about. He told us when we were meeting the other day that last year, there were 16,000 official visitors to London.

Senator RUDMAN. We were part of the problem, Mr. Secretary.

[Laughter.]

Secretary SHULTZ. I said, "Is this trip to London necessary?"

Senator RUDMAN. Ours was.

[Laughter.]

Senator HOLLINGS. As we take care of the deficit, it will go down.

Secretary SHULTZ. The embassies have to have people who spend their full life helping people coming in and out, and that is something we are spending money on'

Senator HOLLINGS. As the deficit goes down and the dollar devalues in the view of the economists, that will go down to 8,000. It will be cut in half.

[Laughter.]

Senator RUDMAN. He said official business, not tourists.

Secretary SHULTZ. We also say, "Don't pick up the telephone."

CONTRA AID

Senator BUMPERS. Mr. Secretary, I am one who is inclined at this point to fight against aid to the Contras, though I fully recognize the argument of the other side. I can make a compelling argument on either side of that case. Just for the record and my own edification, I have not heard anybody suggest, for example, that $100 million is enough to either topple the Sandinistas or as the administration's position says, bring the Sandinistas to the bargaining table.

Would you agree with that? That would not be enough in itself, would it?

Secretary SHULTZ. I think that it is enough to enable the opposition to put forward a very strong resistance. They haven't had anything to work with from us. They have managed to piece and fit, and really, it is a tribute to their staying power and their determination that they are there and they are a viable, workable force.

So I think the answer is yes, this will be of inestimable help. Whether it will be decisive or not, well, who can say? But I think this will really make a big difference.

CONTINUING CONTRA AID

Senator BUMPERS. If it is not, Mr. Secretary, if the Sandinistas, let's say they are successful even with $100 million in aid we are giving the Contras and would be essentially winning the battle with the Contras. Does that mean that you will be back here again next year asking for another $100 or maybe $200 million next year?

Secretary SHULTZ. I think it is essential that we project the posture of the United States as having staying power. One of the biggest problems that I have run into all over the world with respect to various matters, is: Does the United States have the capacity to stay with something or do you sort of support something for a year or two and get tired of it and go on to something else? Do you have the capacity to stay with it?

So I would say that in a year or so from now we have to appraise the situation as it is. But I would be guided by the notion of staying power. Beyond that, if we are to have a chance of a negotiated outcome—whether in the end we will negotiate, I don't know—but if we are to have a chance for a negotiated outcome, it will be because they see that the United States is not going to back off; we are going to stay in there; we are going to support people who fight for freedom, and this is not a short-term proposition.

POPULATION RESPONSE THROUGH CONTRAS

Senator BUMPERS. Let me pursue that to the third question, and that is, this is an assumption: That we put money into the Contra effort, say, over the next 3 years, even increase, maybe double it next year and the following year, and the Contras are still not successful in either bringing the Sandinistas to the table or toppling them, and for that matter, gaining very much popular support in Nicaragua.

That is one of the things that troubles me. I am inclined to think that our aid to the Contras solidifies or helps to solidify Sandinista support among the Nicaraguan people which otherwise seems to be eroding.

But if, in those instances, that doesn't happen and we have funneled money in there for 3 years, for example, I would think that at that point the Sandinistas would still be as grave a threat to the security of the area as the President says they are now.

Does that mean, then, that we have no alternative but to send troops into Nicaragua?

Secretary SHULTZ. I don't know how I can possibly respond to what the situation might be like 3 years from now.

Senator BUMPERS. My point is, it is a threat to the security of the hemisphere; doesn't that mean at some point, if the Contras don't succeed, we have no alternative but to go in ourselves?

Secretary SHULTZ. The point is that what we have right now is a situation where, with a lot of help from the United States, we have gradually reconstructed the situation or have seen it get reconstructed in Central America.

Who would have thought 4 years ago that we would have in that region an elected president of Honduras, succeeding a previously elected President; a newly elected President in Guatemala. Of course, we aren't surprised that democracy continues in Costa Rica; and at the expression of support for democracy in El Salvador with votes in the face of Communist insurgencies, threatening people on electoral lines and so on; and the beginnings of some chance of economic recovery in those countries. That is a big accomplishment, and it is there.

Nicaragua's economy has been deteriorating and deteriorating rapidly. That is mainly because their method of running an economy is bound to run it into the ground; it does it everywhere else. There is no reason to suspect it would be different in Nicaragua. And we see in Nicaragua people with precious little support from us who are ready to fight for the freedom and independence of their country.

Now, reports that I get back, for example, a writeup in the Lautenberg column the other day, are that, "This is a youth movement." It is. How it will go, I don't know. I think these people deserve support. My information is that rather than drive people away from the Contras, support for them will draw people to the Contras. We think there are a lot of people who want to join if only you could give them a pair of shoes and a uniform.

So I think in terms of the inate response of the population, the interesting marker is that the Contras, obviously, exist by virtue of the fact of volunteers, whereas the government has to draft people, very unwilling draftees, and they Mave lots of desertions.

So there is a message about the way people are evaluating the situation.

FUNDING THE CONTRAS

Senator BUMPERS. Mr. Secretary, last June, General Wallace Nutting, Commander in Chief of the U.S. Southern Command, said this on his retirement. I have a speech I make about everybody telling the truth in their exit interviews, but I have always thought that had General Eisenhower given the military industrial complex speech at his inauguration, we would have been infinitely better off than we would have been with it in his fairwell address, and so it is with so many.

But General Nutting was retiring last June, and he said that the United States would be infinitely better off to put the money into solidifying and building on democracies in the other countries of Central America than they would be funding the Contras.

Do you reject that out of hand?

Secretary SHULTZ. Absolutely. He is totally, absolutely wrong. Where do you think democracy will go in Central America? It is fragile. Where do you think it will go if the United States is ready to stand by and let the Soviets establish a base there, exhibit to all those countries that we will not stand with them if they have to fight for their freedom, when the Nicaraguan Communists try to subvert democratic countries? They do it; we know that. There is absolutely no question about it. And we exhibit to the world that we don't care; let them do it?

Where does that leave democracy in those countries? Obviously, we need to support it. We need to help them with their economic development. That is the big payoff area right now. And as a matter of fact, the ball is bouncing pretty good for a change. The increase in coffee prices helps them; the decrease in oil prices helps them. So they are getting a break for a change. With the kind of support that we have been giving, maybe it can work.

So it isn't as though you just do one thing. You have to look at economic things; you have to look at political things; you have to look at security, and you can't have democracy flourish in a sea of insecurity.

HUMANITARIAN AID PACKAGE

Senator BUMPERS. Have you seen the GAO report on what happened with the so-called humanitarian aid we sent to the Contras last year?

Secretary SHULTZ. Yes.

Senator BUMPERS. What did you think?

Secretary SHULTZ. I read the news account of it. I haven't actually gone through the report, but of course, the program is structured by law in such a way that we cannot know exactly where it is delivered. We are prohibited from doing that, so to have a finding that we don't know, it is ridiculous.

Senator BUMPERS. It was sent by AID, was it not? Does AID not have any accountability of what happens to $27 million worth of aid?

Secretary SHULTZ. This program is structured so that it starts overtly and it goes to people in a country we have no presence. We are not in Nicaragua, and it goes there. So it starts overtly, and there is a very carefully set system of accounting and keeping track. But we cannot trace it on into a country where we are prohibited from going, and we don't want to go.

So you have a program that is structured in a manner that makes it difficult to account for.

Senator BUMPERS. How many people do we have in our embassy in Managua?

Secretary SHULTZ. Not very many. I might say, we have an outstanding Ambassador there.

Senator BUMPERS. I agree.

Secretary SHULTZ. He has been thoughtful and gives us very interesting reporting.

Senator BUMPERS. Mr. Secretary, while he is looking that up, and that is not a particularly relevant question, the thing that concerned me about the aid, I assume that this aid had been delivered to Honduras, where we do have a presence and where the Contra bases are. That is the reason I was really troubled. If we had been trying to deliver this to the interior of Nicaragua, I can certainly have understood why there would be no tracing it.

But I assumed that we were delivering this to the Contra bases in Honduras, where we do have a very strong presence, military and diplomatic.

Secretary SHULTZ. It is very difficult for us, when support like this goes out of the United States, to have publicized exactly how it goes to where we are trying to get it. The reason is that we sit up here strong and healthy and removed from the problem, but they sit down there right next door to a Soviet-supplied, very outsized army, and they have to cope and think about that problem.

So it hasn't been possible to deliver everything through a country where we might have thought we could do so, although we think we have things rearranged now, and we have had to do it in other ways, as well.

KOREAN AID PROGRAM

Senator BUMPERS. Mr. Chairman, just three quick questions. No. 1, you are asking in the foreign aid bill this year for about $220 million in loans to Korea. Now, Korea, it seems to me, is a very healthy country. They are one of our nemesis in the trading area. They don't seem to have any problem raising money in the capital markets. Why would the United States loan Korea $220 million?

Secretary SHULTZ. I have these numbers right in any mind. I think that is the FMS.

Senator BUMPERS. That is correct.

Secretary SHULTZ. Foreign military sales are part of our joint effort with them to help in the security of South Korea. I don't have to go over the history of it. You all know why we are there. It is a bipartisan effort. We have been there a long time, and this is part of our support for their military equipment.

Senator BUMPERS. I am curious about that. If you have any additional justification of that for the record, I would be pleased to get it.

[The information follows:]

LOANS TO KOREA

The Foreign Military Sales Program benefits not only South Korea but directly serves the U.S. interest in maintaining peace and security in Northeast Asia. Clearly, it would be contrary to our interests for hostilities to resume on the Korean Peninsula. FMS credits to Korea are used to modernize Korean armed forces—a force improvement plan that is funded primarily by the Koreans who spend about 6 percent of GNP on defense expenditures. Like the presence of American troops, improvement of South Korea's forces serves to deter North Korean aggression and would be important to our combined fighting abilities should deterrence fail.

GRH REDUCTION IN 1986

Secretary SHULTZ. The post in Nicaragua, we have 24 Americans there. We also employ 39 locals to do things around the embassy for a total of 63.

Senator BUMPERS. Has State taken a Gramm-Rudman hit this year for 1986?

Senator RUDMAN. Yes.

Secretary SHULTZ. Yes.

Shall I start?

[Laughter.]

U.N. FUNDING

Senator BUMPERS. On this matter of the United Nations funding, I have been troubled. I voted against the Kassebaum amendment, because I think that there ought maybe to be a better way to handle that. But what are the specific things we are asking for from the United Nations? What is our contribution, $200 million a year? It would be cut roughly $70 million or how much?

Secretary SHULTZ. I would like to give you a careful statement for the record——

Senator BUMPERS. All right.

Secretary SHULTZ. —that says: Here is the amount of money; here is the way we see the problem. These are the kind of budget things we think they ought to be doing, and here is the kind of procedure that we would like to see them set up.

[The information follows:]

UNITED NATIONS REFORM CRISIS

In our support for the UN, both the Administration and the Congress have been concerned for some time about UN budget practices and administrative structures. For the past several years the U.S. has pressed hard to achieve budget and management reforms in the UN. We have had some significant successes in reducing assessed budget growth rates, and the clear and basic thrust of our budget policy has achieved some success in changing the tone of budget review. The progress we have made in the UN gives us the opportunity to achieve more if we take the UN seriously in our foreign policy deliberations. Taking the UN seriously means asking how it can realize its original goals and principles and how it can be more useful to the United States and to the peoples around the globe it was founded in order to serve. U.S. actions toward the UN arise from our strong belief in its ideals and potential.

Our approach to the UN recognizes the clear and compelling need for management reform since structural and procedural changes within an organization shape substantive policies and programs. Reforms in the administrative and decision-making procedures, particularly those affecting budgets and programs, are an important means for leading international organizations to choose more responsible behavior and programs.

Congressional action has helped us in our reform efforts. We view the Kassebaum Amendment to last year's State Department authorization (P.L. 99-93) as an opportunity to achieve reforms to renew the efficiency and effectiveness of the UN agencies. The Kassebaum Amendment was enacted because Congress believes the UN and its specialized agencies have not paid sufficient attention in the development of their programs and budgets to the views of the major financial contributors to those budgets. We share this belief with the Congress.

The Kassebaum Amendment limits, beginning with fiscal year 1987, U.S. assessed contributions to the UN and its specialized agencies to 20 percent (we are assessed at 25 percent in the UN and five specialized agencies; our assessment to the World Meteorological Organization is 24.71 percent) unless they adopt voting rights on budgetary matters proportionate to member states' contributions to their budgets. Along with the budget reductions required by the Gramm-Rudman-Hollings legislation, this creates major leverage to press for the achievement of our program and budget reform goals.

The impact of the Kassebaum Amendment, compounded by the Gramm-Rudman-Hollings reductions and other shortfalls, will result in arrearages in U.S. contributions to the UN and the six affected specialized agencies. The total projected shortfall to the UN, the Food and Agriculture Organization, the International Labor Organization, the World Health Organization, the World Meteorological Organization, the UN Industrial Development Organization and the International Civil Aviation Organization for calendar years 1985 and 1986 (fiscal years 1986 and 1987) combined is $137 million.

With regard to the UN only, cumulative U.S. arrearages through 1985 (funded from FY 1986 appropriations), after application of Gramm-Rudman-Hollings, will amount to some $38 million through 1985. For 1986, funded from fiscal year 1987, the budget projects additional arrearages of $55 million which could grow substantially with Gramm-Rudman-Hollings and other legislation.

U.S. shortfalls are only part of much larger financial shortfalls for the UN caused primarily by large Soviet Bloc arrearages. Total Soviet arrearages, including past and current peacekeeping operations and the UN regular budget, exceeded $313 million at the end of 1985. The Soviet Union and Soviet bloc countries account for approximately one third of the $200 million in total cumulative arrearages in the UN regular budget.

There is a fundamental disequilibrium between the size of contributions by member states and their influence on the UN budgetary process. The UN's scale of assessments, based on capacity to pay and including additional hardship allowances, has a built-in lack of fiscal restraint for the great majority of members. This in turn fosters fiscal irresponsibility in the basic budget decision making procedures. Thus, an overwhelming majority of UN members contribute little to the budget, which leaves them with little direct incentive to take a serious interest in making realistic and responsible budget decisions. For example, the two-thirds majority required to approve a UN program budget could be composed of 106 member states which collectively pay only 1.81 percent of the total assessments.

We will seek greater donor influence at key points in the decision making process and will enlist the assistance of other major donor nations to help us in this effort. We will also insist that every stage of the program and budget process be made more transparent to member nations since the availability of this information is crucial to the exercise of donor influence. Currently in UN organizations, the implications of program cost are not taken fully into account since programs and budgets are rarely considered in the same context. If the program decision-making procedure can be changed so that costs are taken into account when setting priorities and selecting programs, organizations will have to choose between competing priorities. Member states should clearly recognize that it is in their self-interest to allocate limited resources in ways that produce material benefits for them.

Our efforts toward implementing the Kassebaum Amendment have been focused on the United Nations in the General Assembly. We had hoped that actions taken at the last session of the General Assembly would have provided sufficient grounds on which the Administration could justify seeking from the Congress a delay in implementation of the Kassebaum Amendment. This was not the case and we have included a $79 million line item reduction in the President's fiscal year 1987 budget for implementation of the withholding sanctions in the Amendment.

Largely in response to the Kassebaum Amendment, however, the last United Nations General Assembly established a Group of High-level Intergovernmental Experts to review the administrative and financial functioning of the United Nations. Ambassador Jose Sorzano, previously Deputy Permanent Representative to the UN under Ambassador Kirkpatrick, is the United States member. The Group is off to a good start and will submit recommendations to the UNGA this fall. We are encouraged by the Secretary General's constructive role. We want to further encourage his own commitment to reform and to assuring recommendations for credible improvements from the Group of Experts. His leadership will be a critical factor in achieving the required short-term retrenchments and longer-term structural reforms for decision-making on programs and budgets.

We have made clear that U.S. concern about the UN and resulting criticisms of its actions reflect our deep-seated attachment to the ideals of the organization. There is no question about U.S. support for the ideals of the United Nations. The issue is whether the existing actions and practices of the organization reflect those ideals. Because we care about its principles, we must insist that it live up to its potential.

IO/S/SB:MDWynes

Clear: IO:Amb. Keyes JFox for
USUN:Amb. Reed JFox for
D:Amb. Egan JFox for
M/COMP:RFeldman JFox for
IO:DGoodman JFox for
IO:RKauzlarich JFox for
IO/S:JDFox JFox
H:EKelley JFox for

Secretary SHULTZ. I might say that I have asked John Whitehead, the Deputy Secretary, an experienced financier and businessman, to kind of ride herd on this subject within the Department and he is digging into it. What we want to bring forward, as I said earlier, are a budget and a budget process that would make it produce better results and on the strength of that, then come back and ask you to modify the Kassebaum amendment. I am going to pay what we have agreed to pay.

Senator BUMPERS. I trust we have been talking to our NATO allies on this, have we not?

Secretary SHULTZ. We talked with all of our friends in the United Nations or, for that matter, even our adversaries. Those who are the larger ones have a stake in the budgeting, as we do. So we have tried not only throughout the whole international system to get people to wake up to the budget problem. I think the fact is that over a long period of time, they have had very various practices. They just assess people and people pay, and we are trying to change that. I think we are.

Senator BUMPERS. Then our principal squawk isn't because the Soviets aren't paying their fair share, but because of the way the United Nations itself is spending the money.

Secretary SHULTZ. The way the budget is being done can be tightened up a lot. The Soviet Union doesn't pay its fair share on some things, but it does on others. Its basic contribution, I think, is up to date.

LIMITS OF SALT II TREATY

Senator BUMPERS. Mr. Secretary, my final question, I think, deals with something I have been involved with for a very long time. I went into this last year. That is that in May, we will again send another Trident submarine into use which will get us above the limit on launchers of multiple-warhead missiles in the SALT II Treaty.

I will again at this moment applaud the President, because he obviously didn't like the SALT II Treaty when he was running in 1980, but he has since then, I think, correctly said that we will abide by a no undercut policy. He has had strong bipartisan support in the Congress on that; he certainly has in the Senate.

According to my figures, the Soviets, as a result of both SALT Treaties, have had to dismantle over 500 systems over the past 12 years, and we have dismantled 16. The Joint Chiefs of Staff seem to favor the no undercut policy; all the people who study this issue favor it.

Senator Heinz and Senator Chafee and Senator Leahy and I have, again, introduced a resolution this year saying essentially the same thing we have said for the past two years: That the no undercut policy serves arms control and serves the United States' best interests from an arms standpoint.

Do you have any comment to make on that at this point as to what recommendation you might make to the President, not just on the resolution, but on the no undercut policy, in general?

Secretary SHULTZ. The President is studying it. There has been a lot of consideration within the administration as to what we can do, and I don't have any way of knowing what the President's decision may be. Whatever it may be, as of now, the policy is no undercut.

The President has taken that view, among other things, of the event you pointed to. I should say that while the Soviet Union has taken a lot of action exactly as you have described to stay within the SALT limits, they have also done things that, in our judgment, are serious violations of these treaties. We have to look at the whole picture to ask ourselves in the light of the violations.

I think there isn't any doubt about the fact that there are important, militarily-significant violations. How should we react to that? That is what the President is considering.

SOVIET VIOLATIONS AND COMPLIANCE

Senator BUMPERS. I appreciate that answer. If I just may, Mr. Chairman, say you are dead right. In my opinion, their radar system at Krasndyarsk is obviously a violation of the ABM Treaty. One of those missiles, the SS–24, or SS–25 is in violation.

Secretary SHULTZ. Yes, sir.

Senator BUMPERS. And I consider those very serious violations. I think you stated it very well what our concerns are and what the tradeoffs are. But I also am concerned that when Congress asked the administration for a summary of SALT compliance by the Soviets, we invariably get nothing but the violations, and there isn't a thoughtful Senator who doesn't understand those violations, and I think most people recognize the seriousness of them.

But it would be very edifying and helpful to us if, in those reports, ACDA's in particular, if they would also point out some of the things that the Soviets are doing in compliance, because we need the whole picture. We need to know about the violations, but we need to know about compliance.

For example, very few people know they have, in fact, dismantled 500 systems in order to stay under the SALT limit; that is just for the record.

CAPITALISM VERSUS COMMUNISM

Senator HOLLINGS. Mr. Secretary, on that score, we cover realism with rhetoric, the so-called undercut policy. I would rather, if we are going to get into this competition, and there are those who just don't want to compete. We don't want to get into the contest between capitalism and communism, it will persist long after we are dead and gone.

There are some around the Congress that don't want to join the contest. They say they want to cover it, but they don't. They move onto the no undercut policy. We in the real world are constrained by deficits and economic pressures there, and rather than undercut very good weaponry here trying to hold down the defense budgets, I want to look into that.

I can't agree with the Senator from Arkansas' analysis. You could not pass SALT II through this United States Senate. You could not get it confirmed. SALT II is not the official policy. I would say that President

Reagan's so-called no undercut statement was a statement of hope, not necessarily the policy. Because it is not the policy here, and we are going to suggest that very, very seriously.

Similarly, with respect to the Contra aid, we just don't solve that problem with $100 million. You know, we in Congress think that if we make a vote, that problem is we are "monkey see, monkey do," and worried about the next election, and getting 20 minutes on the evening news.

We started with hunger in 1965, and we have got more hungry in 1985. But we haven't abandoned the food stamp program. We gave over $100 million and more into Afghanistan, not with the idea, since the amounts we give there, we are going to have to follow with the Marines in Afghanistan. I don't see why we think the Marines have to follow necessarily in Nicaragua, although I favor it.

So I think a lot of this is trying to work you over, and I want to work you over in the other direction' I hate to have to put it that way, but I think you are doing an outstanding job bringing us to the point of realism on this whole score, because we just finesse all these things.

We do not want to join the contest; it is so nice to negotiate. It is so good to say, they are serious, but just disregard these violations and everything else, and we will have articles a good bit on that particular score.

So you keep standing your guns. You have given us credibility in and the foreign policy is working, and you ought to feel heartened that we support you.

Senator BUMPERS. Senator, will you yield for a question?

Senator HOLLINGS. Yes, sir, I would be delighted to yield for a question.

Senator BUMPERS. If we haven't joined the contest, what have we done with the $1.2 trillion we have given them in the last 5 years? How much more are we going have to put in to join the contest?

Senator HOLLINGS. More than a demonstration, my dear Senator, of military power. What we need is a demonstration of will power, will power in the Senate.

Senator BUMPERS. We voted 90 to 5 last year for the SALT no-undercut policy.

Senator RUDMAN. I think the Secretary should comment if he wishes to, and if he doesn't, maybe the Secretary can accept that statement and move on.

Senator Specter?

Senator SPECTER. I would think the Secretary of State ought to have an opportunity to question both Senator Hollings and Senator Bumpers. [Laughter.]

Senator RUDMAN. We have very informal hearings, but not that informal.

Secretary SHULTZ. When I was a student taking oral exams, we all used to be aware of the right technique, which was to get the professors arguing with each other.

[Laughter.]

Senator HOLLINGS. We get that way. I will say one comment about that.

Senator SPECTER. Can you recognize me, Mr. Chairman.

Senator RUDMAN. We will give Senator Hollings 30 seconds.

Senator HOLLINGS. You will get there, if you are going to stay long enough to ask questions.

Senator SPECTER. I will, but I don't know if I can stay long enough to hear your answers.

Senator HOLLINGS. Senator, you say they are not committed. We had a draft. We are committed. We would like America to be committed. I am not giving lingo; I am giving a realistic concern about our own counterpart in the NATO. Excuse me, Mr. Secretary.

Senator RUDMAN. Senator Specter.

Secretary SHULTZ. I respect your statement very much, sir.

STATUS OF REAGAN/GORBACHEV MEETING

Senator SPECTER. Thank you, Mr. Chairman. I will be here long enough to ask a question, because I ask short questions, and I regret that I cannot stay. I was here earlier, but there are quite a number of other hearings which we have to shuffle back and forth to.

If I touch a subject, too, that you have commented on, too, Mr. Secretary, I regret that.

I would like to ask about the status of the meeting between President Reagan and Mr. Gorbachev as to how that stands now. I know that you have just been meeting with top Soviet officials, and certainly, I admire your travel schedule. You were before the Foreign Operations Subcommittee Appropriations just last week, and you have already been back in the thicket and returned. If you could update us on that, I would appreciate it.

Secretary SHULTZ. The situation is that in Geneva, the two leaders agreed to have reciprocal meetings in 1986 and 1987 in their respective countries, the one in 1986 being the United States.

The President sort of informally mentioned June, and there was a little back and forth on that. Subsequently, we proposed to the Soviet Union that the 1986 meeting in the United States be either in the latter part of June or the latter part of July, either one is all right, and basically, we haven't had an official reply. There have been all sorts of things said, and in Stockholm last Saturday, I did discuss it at some length with Mr. Rzyhkov, the man in their system, but as of now, we are discussing it and there isn't any official response. We don't think August is a very good month, of course. We come to the end of a session and having to engage in that have our down time here and elsewhere.

September is a very busy month. It is the last month of this Congress, and is also a very intense month. In October, we are in the midst of our election campaigns, and it would be a completely inappropriate time. After the elections, people are resting up a little. There hasn't been a prior period, and there is not a period when you can do the intense preparations that are necessary.

I suppose one could say there is a little window possible in December, but at any rate, we think June and July are much more desirable, and as of now, we are waiting for them to answer the mail.

CONTENT OF TALKS

There is a kind of parallel discussion, obviously, of what the content will be. We are concerned that there be some important content, and so are they. And we are working on that across a broad array of subjects.

Of course, everyone focuses on the nuclear and space talks in Geneva, and there, I would have to say that the progress since the President's meeting in Geneva with Mr. Gorbachev is disappointing. They have not responded to the proposal we put on the table in START last November. It is a very good proposal.

Basically, they haven't responded to the things we put forward last November in the space area. We have had an exchange back and forth on IMF, so there has been a little motion there, but we haven't really gotten as far as one would have hoped we could. So we would like to identify some things there. We would like to identify some things in the area of nuclear testing. We are poles apart at this point, but we are prepared to work at it.

That is about where it stands.

Senator SPECTER. Mr. Secretary, I, for one, think it would be most unfortunate if on either side another summit would be held hostage to any specific advance. If the Soviets are making demands, that we concede to some of their points or vice versa would be, I think, an unfortunate item.

Secretary SHULTZ. I can assure you that the President will not allow himself to get set up that way.

Senator SPECTER. There is considerable sentiment in the Senate to encourage the summit meetings. We have had a number of resolutions in 1982, 1983 and 1984, the President moved with all appropriate dispatch to have this incentive. Is there any suggestion that the Soviets are delaying setting a date because of some assistance that we make some concessions on any substantive point?

Secretary SHULTZ. One of the things I rather think that they are concerned about, as we are, is to identify what the substance is going to be. We have made it clear that we simply don't feel there should be any leaks between agreeing on some substance beforehand and the coming into play of some of the things.

Actually, when you set a date for one of these meetings, it tends to generate more intense activity as people try to get ready for it. It is just like any other thing, probably. The last 2 weeks of a Congress are more intense than the first 2 weeks.

Senator RUDMAN. The last 2 days.

REDUCTION OF SOVIET PERSONNEL IN THE UNITED NATIONS

Senator SPECTER. Mr. Secretary, has there been any reduction in the Soviet enthusiasm for a summit as a result of the action which we took on cutting down the Soviet personnel in the United Nations?

Secretary SHULTZ. They have disagreed with that and complained about it, but we take the view that we have to proceed to do the things we think are right and proper to do, and this is something that, if anything, is long overdue. Their U.N. representation is way out of bounds, and so we think this is a called-for action in its own right. It is not intended to be a hostile signal of any kind on our part.

ESTABLISHMENT OF CONSULATE IN KIEV

Senator SPECTER. Mr. Secretary, I note that you are moving ahead, and I commend you for the negotiations with the Soviets which have led to the establishment of a consulate, I believe, in Kiev. That is a matter that I discussed with you, I think, 3 years ago when you were before this subcommittee. I have visited Kiev and found the situation really very serious there with refusniks unwilling to meet in groups. I met with some in private homes, one of them on a street corner. I note that you anticipate opening the consulate this year. What are the specifics of the plans, if you could tell us about that?

Secretary SHULTZ. I can tell you Senator, I will ask Ambassador Spiers to speak about it. I take it you favor opening this consulate.

Senator SPECTER. I sure do. I think it is something very useful.

MONEY PROBLEM

Senator RUDMAN. Of course, if we have the money.

Secretary SHULTZ. We had a little discussion of this subject.

Senator SPECTER. On the consulate.

Senator RUDMAN. Yes, we have a money problem.

Secretary SHULTZ. We have identified the building that we think is the right building for $19 million. There are various alternatives. We can see that it will be a fairly expensive thing to get that building into proper shape, and so that is part of this budget problem.

We feel that we should establish a good consulate with probably some 30 people. That is a decision that we made. Renting a little space and having two or three people there. We think would not be the right way to go about it. We should have a presence that has some significance. So that is what we are saying.

As far as when this will happen, it is hard to say exactly. Maybe you have an idea.

Mr. SPIERS. We intend to have an advance party of four there by May 1.

Senator SPECTER. How big will the advance party be?

Mr. SPIERS. Four people. We have now asked to reprogram $4.5 million to support that. Our estimate objective is to have a fully staffed consulate of about 30 Americans, which includes Marine guards, but that ultimately depends on the budget situation.

COST OF CONSULATE

Senator SPECTER. How much is it going to cost?

Mr. SPIERS. About $20 million.

Senator SPECTER. I would say in as forceful language as I can that that is a very important expenditure and a very important investment. Unlike other expenditures which the U.S. Government makes, we make them as we choose where we are free to go. But it has been a long battle to get recognition by the Soviet authorities to have a consulate in Kiev. It has been a long time coming.

How long has it been since we had one there?

Mr. SPIERS. We had a temporary.

Senator SPECTER. Back in the Afghanistan days.

Mr. SPIERS. For what I think was a very short period, but we have never had a permanent consulate there. We have had them in the other places in the Soviet Union; one in Vladivostok.

Senator SPECTER. We did have some sort of installation there which was closed after the Afghanistan invasion?

Mr. SPIERS. That is correct, but it was more like the advance party. It wasn't a permanently installed mission. The intention was to do so, however.

COST OF BUILDING

Senator RUDMAN. I would correct one figure. Ambassador Spiers, I believe you said $20 million. Your letter indicates $48 million.

Mr. SPIERS. The $20 million is the building. It is $48 million? OK. I am wrong; I'm sorry.

Senator RUDMAN. I believe the building is $48 million, and you are not asking for that until fiscal year 1988, I believe.

Mr. SPIERS. That is right, I'm sorry.

Senator SPECTER. I will certainly support you on that, Mr. Secretary.

Secretary SHULTZ. Good.

SUPPORT FOR PROMPT FOLLOW-UP

Senator SPECTER. I was there personally, and I talked with the refusniks in both Moscow and Kiev. I traveled in the countryside. I had the experience to go 160 miles southwest of Kiev and visited my father's birthplace, a small Russian town in Boskara. The subject of Soviet Jewry is one that I think every Senator is intimately familiar with. I don't think there is any dissent at all about the need for a very strong policy on human rights and aid for the Soviet Jews and others in the Soviet Union who are being oppressed.

I think the same sentiment has been expressed in the House, and I know that the Soviet refusniks whom I talked to in 1982 were absolutely terrified. They were just beside themselves. A United States Senator coming to visit them, very different from Moscow, for example, where the refusniks would meet. I met with a dozen in someone's home, and they were not nearly as fearful there.

There is a sense in the Ukraine, in the Kiev area, which is very different, and having won that concession from the Soviet Union, I think it would be a tragedy if we did not follow up promptly, and if we don't do it promptly, we can expect the Soviets to withdraw. They may withdraw in any event as retaliation for what they may consider to be some affront somewhere else. So that I will fight for the appropriation on this subcommittee. My instinct is it will be approved, and I would urge you to move ahead with all dispatch. Take the real estate while you have the lease.

Secretary SHULTZ. Thank you. I appreciate your support.

Senator SPECTER. And get it done.

DIPLOMATIC SECURITY

Mr. Secretary, just one other question. I note that movement has occurred on a very substantial appropriation for security for State Department facilities around the world. The figure I heard is $4.4 billion; is that right?

Secretary SHULTZ. That is the overall package as emerging out of the Inman panel recommendations.

Senator SPECTER. How long do you anticipate it will take to set up the facilities around the world to provide the security with that much money?

Secretary SHULTZ. We have in mind a 5-year program, a plan that we have submitted and then each year, we will move in accordance with the plans.

Senator SPECTER. Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

KIEV MATTER

Senator RUDMAN. I want to make just one point on the Kiev matter. That will not come up this year. We have a reprogramming which we will approve. I believe the approval is there, but as far as the building funds are concerned, that will not be a problem for us until next year.

Senator SPECTER. Is some funding necessary immediately to enable the State Department to move ahead?

Secretary SHULTZ. Yes, that would be the reprogramming money.

Senator SPECTER. And that will be done.

Senator RUDMAN. That will be approved.

Mr. Spiers. We are taking it out of other areas.

Senator SPECTER. Is there any problem on losing the building?

Secretary SHULTZ. No, no.

Senator SPECTER. We have an option to purchase?

Mr. SPIERS. It is a lease.

Senator RUDMAN. Why don't you answer that for the record so we can move that along for Senator Specter, if you could, and provide any details.

Senator SPECTER. I would appreciate knowing what the real estate arrangements are from the point of view of saying that we can move ahead and get it done. Thank you.

Senator RUDMAN. I don't believe we can purchase it, anyway. As I understand the rules of the Soviet Union, I believe the money is to rehab an existing building that is available, that is my understanding.

Secretary SHULTZ. But understanding that it is our building.

[The information follows:]

ESTABLISHMENT OF A CONSULATE IN KIEV LEASE ARRANGEMENTS

The U.S. Government intends to enter into a 99-year lease agreement for the land located on the Streletskaya complex with a 5-year option to purchase the three buildings situated on the property for use as offices and residences. The terms and conditions of the lease/purchase agreement will be negotiated with the Soviets prior to the arrival of the Kiev advance party and the establishment of temporary consulate offices.

SENATE BUDGET RESOLUTION

Senator RUDMAN. That it is U.S. property, but not legally under their system.

Mr. Secretary, I think we are about done. I just wanted to make a comment. I think we have had a good hearing this morning, in this subcommittee, both under my predecessor, and under Senator Hollings, and I intend to continue informal hearings to try to get information, and to try to have a good exchange.

One thing that has certainly come out of this hearing which I think developed on both sides of the table that we have been very concerned about, is if, in fact, an actual budget freeze comes out of the Budget Committee, comes to the floor of the United States Senate as part of that Budget Resolution; and if, in addition to that, a separate $400 million item comes along for security, we are going to have a very interesting problem before the U.S. Senate. The problem will be that under the law, no amendment to add to that appropriation will be in order unless it is a zero sum amendment, or it raises taxes, or it takes money from someplace else. The Senate Budget Resolution is only the first step, of course, and eventually a conference, and who knows, maybe we'll have a 30-day game next September under this bill.

But the point I want to make is that I hope we will continue to have the kind of cooperation that we have always had from your staff to work with you and to see what we can do. Because I happen to agree with you. I happen to think that the things you are asking for are necessary. Unfortunately, we are working under the constraint of working with people who want things that I don't think are necessary but have political support, and those are the problems we face.

It is a difficult ball game this year. You just can't come in with a supplemental for $300 million. That is how we got to the $2 trillion deficit. I don't mean just the State Department, I just mean totally.

[Laughter.]

Senator RUDMAN. So that point has to be made. It is a different rule that we are operating under.

Secretary SHULTZ. Thank you, Mr. Chairman. Let me assure that we will cooperate with the committee in every way possible.

SUBMITTED QUESTIONS

Senator RUDMAN. I appreciate it. There will be some questions from Senator Chiles for the record mainly on the drug problem and questions from Senator Hollings and maybe from other members of the panel. The record will close in the next 24 hours, but we do appreciate your being here, Mr. Secretary, and your colleagues.

Secretary SHULTZ. I appreciate your hearing us and listening to our story. I hope you feel a strength of view that we have about the importance of what we are trying to do here.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing.]

QUESTIONS SUBMITTED BY SENATOR RUDMAN

Question

A recommendation by Commerce Secretary Baldrige to limit the importation of machine tools has been sitting in the bureaucracy for over two years. In addition, the Administration has refused to take action to limit the importation of footwear although the International Trade Commission has shown that foreign imports are destroying the domestic shoe industry. what has been the role of the State Department in refusing to come to grips with this problem? In particular did you oppose recommendations to limit footwear imports?

Answer

The Department of State fully supports the President's decision in the footwear case. The machine tool case is under active consideration by the Administration at the present time. The Department is providing advice to the President on that case as it bears on U.S. foreign relations.

Question

The Commerce Department has made a preliminary determination that Japanese semiconductor manufactures are dumping certain semiconductor products on the American market to drive U.S. firms out of business. If the Commerce Secretary determines that import restrictions are an appropriate response, will you support his action?

Answer

An Affirmative antidumping determination by the Department of Commerce, followed by an affirmative injury determination by the U.S. International Trade Commission, results in an antidumping duty under administrative procedures established by law. There is no review of the Commerce or USITC decisions by the Department of State or other agencies.

Question:

Please provide a summary of the danger pay, hardship differential and/or other allowances and benefits available to a Foreign Service Officer or other State employee -- at each applicable post overseas or in New York -- above the base pay level. For comparative purposes, show the median income of a Foreign Service Officer in Washington, D.C., together with the salary he or she would expect at an overseas location with the allowances and benefits. The individual benefits should be shown in addition to the total in each case. Finally, provide the total cost to the State Department for these allowances and benefits in FY-1986 and FY-1987.

Answer:

There are a number of allowances and benefits available to employees under various conditions and situations. A summary of the allowances and benefits available to State Department employees transferred to a foreign area is included as Tab A. An explanation of each allowance or benefit is at Tab B.

Only the domestic transfer allowance and the housing supplement are available to employees transferred to our Mission to the United Nations in New York.

Of the various foreign allowances and benefits, only the post (hardship) differential, the danger pay allowance and a portion of the housing benefit are considered to be incentives for foreign service and above the base pay level. The salary and above base pay benefits for an average employee at various posts around the world is included as Tab C. The basic allowances and benefits for all posts abroad is included at Tab D.

Estimated costs to the Department of State for allowances and differentials in FY-1986 and FY-1987 are included at Tab E.

EXPLANATION OF ALLOWANCE OR BENEFIT

RELOCATION

ADVANCE OF PAY - This benefit allows an employee to be advanced up to three months' pay upon assignment to a post in a foreign area. The availability of this advance pay is intended to ease the transition period and insure that funds are available to meet required expenses and emergencies. The advance, added in 1980, parallels a provision which has applied to the military for many years. The cost of the advance of pay program is minimal.

DOMESTIC TRANSFER ALLOWANCE - This allowance pays for travel and relocation of employees and their family members when assigned within the United States. It permits reimbursement for certain costs incident to sale and purchase of a house, househunting trips, temporary lodging and other costs related to domestic relocation.

FOREIGN TRANSFER ALLOWANCE - This allowance is paid to employees to partially cover extraordinary, necessary and reasonable expenses, not otherwise compensated for, incurred in transferring to an overseas post. The subsistence expense portion is applicable to costs incurred for temporary lodging, meals laundry and dry cleaning expenses for up to ten days before departure from a post in the United States. The miscellaneous expense portion is intended to partially reimburse the employee for the additional expenses incurred because of changing residences. The wardrobe expense portion is to assist with costs of changing types of clothing needed in a transfer from a tropical to a frigid climatic zone or vice versa (it is not available for transfers from the conterminous U.S.).

HOME SERVICE TRANSFER ALLOWANCE - This allowance is paid to employees to partially cover extraordinary, necessary, and reasonable expenses, not otherwise compensated for, incident to the establishment of an employee's residence at a post of assignment in the United States. The subsistence expense portion is intended to help offset costs of hotel lodging, meals, laundry and dry cleaning expenses for up to sixty days upon arrival in the United States. The miscellaneous expense portion is intended to partially reimburse the employee for the additional expenses incurred because of changing residences. The wardrobe expense portion is to assist with the cost of changing types of clothing needed in a transfer between tropical and frigid climatic zones (it is not available for transfers to the conterminous U.S.).

SUPPLEMENTARY POST ALLOWANCE - This allowance is payable to help offset part of the high cost of restaurant meals necessarily incurred while living in a hotel on first arrival at or on final departure from an overseas post.

TEMPORARY LODGING ALLOWANCE - This allowance is paid to employees for a period not in excess of three months after first arrival at and not more than one month immediately preceding final departure from an overseas post. It is intended to cover, within prescribed maximum rates, the cost of obtaining temporary lodging at the foreign post.

TRAVEL BENEFITS

EDUCATIONAL TRAVEL - This benefit provides travel once a year between the post and the school in the U.S. for a child of an employee stationed at a foreign post to attend a school at either the secondary or college level. At the secondary school level, the election of educational travel is in lieu of any education allowance. (No education allowance is payable at any time for college education).

EMERGENCY VISITATION TRAVEL - This travel permits employees of the foreign affairs agencies stationed abroad to visit a member of their immediate family, such as the employee or spouse's parent, in the event of an illness or injury in which death is either imminent or likely to occur, or in the event of death. An employee or eligible family member is limited to one round trip for each such illness, injury, or death. Normally only one member of the family may travel, and the USG expense entails only transportation costs.

FAMILY VISITATION TRAVEL - This travel permits an employee to visit his/her spouse and children safe-havened away from post because imminent dangers owing to disturbed conditions at the post of assignment do not permit them to accompany the employee. If the family is located in the United States, the reimbursable expenses may not exceed two round trips in a 12-month period. If the family is located abroad, the reimbursable expenses may not exceed the cost of two round trips to Washington, D.C. Examples of such posts for which family visitation travel is authorized are Beirut and Kabul.

REST AND RECUPERATION TRAVEL - This travel provides a round trip to overseas locations or the nearest port of entry in the U.S. for rest and recuperation (R&R) purposes for the employee and family members assigned to posts abroad where conditions of life present sufficiently severe difficulties to justify temporary relief during the period of assignment (e.g., isolation, lack of recreation facilities, unsanitary conditions, unusual personal hazards). It is normally limited to one or two round trips respectively during a continuous two year or three year tour of duty unbroken by home leave.

TRAVEL OF CHILDREN OF SEPARATED PARENTS - In cases of marital separations or divorce, this travel permits children to visit the other parent from whom the child is separated, e.g., the employee or the employee's separated or ex-spouse, when the employee is stationed overseas. It is excluded when other travel benefits are already available, such as educational travel. The USG financed portion is limited to the cost of the passenger fare between the post and the nearest port of entry in the contiguous 48 states.

REQUIRED DENTAL CARE TRAVEL - Travel for required dental care for employees and family members is authorized for treatment which cannot be postponed until transfer, rest and recuperation travel, home leave or other official travel, and which, if delayed, can reasonably be expected to result in a need for emergency treatment. Prophylactic and cosmetic care are excluded.

EXTRAORDINARY LIVING COSTS

EDUCATION ALLOWANCE - This allowance is paid to assist the employee in defraying the extraordinary and necessary expenses, not otherwise compensated for, which must be incurred by reason of service abroad in providing for adequate elementary and secondary education for a school age family member. It enables a family stationed at a foreign post to obtain for their children, an education reasonably comparable to that which they would receive without charge in the public school system were they residing in the United States. The allowance is based on the cost of attending an adequate school at post if one exists; otherwise, the allowance is based on tuition, room, board and periodic transportation to the nearest locality where an adequate school is available.

EVACUATION PAYMENTS - Payments may be made to employees and/or family members who are authorized to depart or are ordered to be evacuated from assigned posts of duty for military or other reasons which create imminent danger to the life of the employees or their family members.

POST (COST OF LIVING) ALLOWANCE - This allowance is paid to employees when the cost of living (exclusive of shelter and education expenses) at a post abroad is higher than it is in Washington D.C. This allowance enables employees and families, assigned to an overseas post, to purchase commodities and services comparable to those they could purchase with salary alone if stationed in Washington, D.C.

SEPARATE MAINTENANCE ALLOWANCE - This allowance is paid to employees to meet the additional expenses of maintaining family members when they are required, because of dangerous, notably unhealthful, or excessively adverse living conditions at the post or for the convenience of the Government, to reside elsewhere than the post of assignment. In addition, employees may request separate maintenance allowance because of special needs or hardships involving the family.

REPRESENTATION ALLOWANCE - This allowance is intended to cover expenditures by U.S. employees, adult family members acting on behalf of these employees, and foreign national employees to establish and maintain relationships of value to the United States in foreign countries.

ENVIRONMENTAL INCENTIVES

POST (HARDSHIP) DIFFERENTIAL - The post (hardship) differential is additional compensation from 10% to 25% of basic compensation paid to American employees at posts where conditions of environment differ substantially from conditions of environment in the continental United States.

The post differential serves as an incentive in recruiting and retaining personnel for locations where extraordinarily difficult or notably unhealthful conditions or excessive physical hardship exist.

DANGER PAY ALLOWANCE - This allowance, of up to 25% over basic compensation, is paid to employees for service at designated danger pay posts where there exist conditions of civil insurrection, civil war, terrorism, or wartime conditions which threaten physical harm or imminent danger to the health or well-being of the employee.

LANGUAGE TRAINING FOR FAMILY MEMBERS - This benefit permits reimbursement of costs of language training for family members including child care. This permits them to better operate in the overseas environment in which they will be living.

LANGUAGE INCENTIVES - This program provides salary incentives to employees who become proficient in particularly difficult languages thereby permitting them to better serve the interests of the USG.

MEDICAL EVACUATION - An employee or family members who require medical care while stationed overseas in a locality where there is no qualified medical personnel or facilities to provide such care may be authorized to travel at U.S.G. expense to the nearest facility where suitable medical care can be obtained. The services of an attendant or attendants to accompany the employee or family member may also be authorized when it is determined that the patient is too ill or young to travel alone, or will cause a minor child to remain at post without proper care.

SPECIAL DIFFERENTIAL IN LIEU OF OVERTIME - This benefit provides a special allowance to certain Foreign Service Officers and Foreign Service Information Officers, in classes 4 through 8, in recognition of requirements to perform additional work on a regular basis in substantial excess of normal requirements. To qualify for the differential, an employee must either work an average of at least 55 hours per week for a period of 6 consecutive months; or work for a period of 6 consecutive months on a rotational 24-hour shift basis, including evenings, Sundays and holidays plus an average of at least 45 hours per week as necessary to meet the operational needs of the unit to which assigned; or work for a period of 6 consecutive months on a shift basis, with over 50 percent of the hours scheduled on workdays between 6:00pm and 6:00am or on Sundays and holidays. The differential payment ranges from 10% to 15% of base pay during a pay period.

STANDBY PAY - This payment is made at posts where there are no more than two communications officers and/or secretaries and when those employees are required to remain available on standby on a regular basis. Standby pay is also available to civil service employees in the U.S. when they are required to perform similar functions.

UNHEALTHFUL POST CREDIT - Employees of foreign affairs agencies serving at designated unhealthful posts may elect, in lieu of receiving the post differential, extra retirement credit. This election permits each year of duty to be counted as one and one-half years of service in determining length of service for the purpose of computing the retirement annuity.

HOUSING INCENTIVES

GOVERNMENT FURNISHED QUARTERS - U.S. citizen employees living in a foreign area by reason of their employment with the USG are entitled to quarters or a living quarters allowance to cover rent and utilities. Assignment to housing varies by employee's grade and family composition. Government provided housing is also available to certain employees of the United States Mission to the United Nations in New York City who are required to live within reasonable commuting distance to the United Nations. Employees of the Mission who are provided U.S. Government-leased housing must contribute a portion of their salary to offset some of the cost for rent and utilities.

LIVING QUARTERS ALLOWANCE - This allowance is paid to an employee when Government quarters abroad are not provided and the employee's foreign residence is attributable solely to employment by the U.S. Government. It is intended to cover average expenses for rent, heat, light, fuel (including gas and electricity) and water.

HOUSING SUPPLEMENT (USUN) - This supplement is paid to certain employees of the United States Mission to the United Nations in New York City who have important representational responsibilities and thereby must live in the extraordinarily high rent area immediately surrounding the headquarters of the United Nations. It compensates for the cost of living quarters and utilities in this high rent area up to a maximum amount after a contribution by each employee to offset a portion of the cost for rent and utilities.

OFFICIAL RESIDENCE EXPENSES - This payment is intended to partially reimburse principal representatives of the U.S. Government abroad for unusual housekeeping expenses incurred in the operations and maintenance of official residences. By having to occupy official residences, the principal representatives must maintain a household more extensive than necessary were they at the posts in a lesser capacity.

SALARY AND ABOVE BASE PAY ALLOWANCES AND BENEFITS - MARCH 1986
(AVERAGE FOREIGN SERVICE FAMILY OF THREE PERSONS)

Post of Assignment	Salary	Maximum Housing Benefit*	Post Differential	Danger Pay	Total
USUN(NYC)	$36,000	$22,600	0	0	$58,600
Vienna	$36,000	$16,940	0	0	$52,940
Barbados	$36,000	$13,310	0	0	$49,310
Brussels	$36,000	$13,310	0	0	$49,310
Ottawa	$36,000	$10,340	0	0	$46,340
San Jose	$36,000	$14,300	0	0	$50,300
Bogota	$36,000	$28,600	$5,400	$9,000	$79,000
Santo Domingo	$36,000	$10,340	$3,600	0	$49,940
Paris	$36,000	$17,050	0	0	$53,050
Athens	$36,000	$10,450	0	0	$46,450
Guatemala	$36,000	$11,550	$5,400	0	$52,950
Tegucigalpa	$36,000	$13,530	$7,200	0	$56,730
Beirut	$36,000	(GQ)	$9,000	$9,000	$54,000 (+ GQ)
Malta	$36,000	$9,240	$5,400	0	$50,640
Mexico City	$36,000	$15,620	$3,600	0	$55,220
The Hague	$36,000	$16,060	0	0	$52,060
Asuncion	$36,000	$11,000	$3,600	0	$50,600
Lima	$36,000	$12,540	$5,400	0	$53,940
Madrid	$36,000	$12,540	0	0	$48,540
Geneva	$36,000	21,780	0	0	$57,780
London	$36,000	$14,520	0	0	$50,520
Kampala	$36,000	(GQ)	$9,000	$9,000	$54,000 (+ GQ)

* Employees not provided Government Quarters may be reimbursed for actual rent and utility expenses up to the maximum listed. The above base pay value of this benefit is what the employee would have spent for these items in the United States (roughly 15% to 20% of base salary).

CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	LOA Groups 2	LOA Groups 3	LOA Groups 4	4 POST ALLOW	5 TRANS ZONES	6 EDUCATION School Grade	School At Post	Away From	7 DIFF RATE %	8 AGENCY	REPORTING SCHEDULE 9 Retail Price Schedule Type	10 Retail Price Schedule Due	11 Educ. Review Report Due	12 Diff. Review Report Due	13 LOA SF1190 Report Due	14 KEY TO PAST CHANGES TL:SR NO.
	AFGHANISTAN Kabul	40	See Footnote d				0	2	K-12	150	11950 g	25	St	Y	Aug	Jun	Feb E	Aug	324A 327B
	Lashkar Gah	21	See Footnote d				0	3	K-12	150	11950 g	25	AID	-	-	Jun	Feb E	Aug	313A 324A
	Other	14	See Footnote d				0	3	K-8 9-12	150 150	150 g 11950	25	-	-	-	-	Feb E	Aug	313A 324A
	ALGERIA Algiers	93	See Footnote d				30	2	K-8 9-12	4950 600	4950 11100	15	St	Y	Jan	Jun	Jul E	Oct	396A 399B
	Oran	61	See Footnote d				30	2	K-12	3800	11100	20	St	W	Jan	Jul	Jul E	Oct	396A 399B
	Other	12	See Footnote d				30	2	K-12	150	11100	15	-	-	-	-	Jul E	Oct	396A 399B
	ANTARCTIC REGION POSTS or areas south of the 60 degree south latitude	10	See Footnote d				0	1	K-12	150	150	25	-	-	-	-	-	Jan	221 383A
	ANTIGUA AND BARBUDA (5/1 - 11/30) (12/1 - 4/30)	64 117	WF WOF	g 15000 14400	15000 14400	13000 11000	0	3	K-8 9-12	4400 500	4400 12000	10	St	Y	Jan	Jun	Mar E	Jun	388A 392B
	ARCTIC CIRCLE POSTS or areas north of the Arctic Circle	10	See Footnote d				0	1	K-12	150	150	25	-	-	-	-	-	Jan	221 383A
	ARGENTINA Buenos Aires	54	WF WOF	g 18600 16700	18600 14900	14900 13500	0	2	K-6 7-12	5100 6000	5100 6000	0	St	Y	Dec	May	-	Dec	387A 399A
	Other	10	See Footnote d				0	2	K-8 9-12	150 150	150 14900	0	-	-	-	-	-	Dec	340A 383A
	ASCENSION ISLAND	10	See Footnote d				0	3	K-12	150	150	25	-	-	-	-	Jul O	Mar	221 383A
	AUSTRALIA Adelaide	13	WF WOF	g 5000 4500	4500 3900	3900 3400	0	2	K-8 9-12	200 300	200 15850	0	Int	W	Oct	Feb	-	Oct	399A 399B
	Alice Springs	13	See Footnote d				0	3	K-6 7-8 9-12	150 200 200	150 200 15850	10	AF	-	-	Feb	Dec E	Oct	393B 396B

	1	2	3				4	5	6			7	8	9	10	11	12	13	14
		ALLOWANCES												REPORTING SCHEDULE					
			QUARTERS						EDUCATION										
				LOA Groups					School					Retail Price Schedule					
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	2	3	4	POST ALLOW	TRANS ZONES	School Grade	At Post	Away From	DIFF RATE %	AGENCY	Type	Due	Educ. Review Report Due	Diff. Review Report Due	LOA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
	Brisbane	46	See Footnote d				0	2	K-7 8-12	150 1650	150 15850	0	St	W	Oct	Feb	-	Oct	395A 398A
	Canberra	43	WF WOF	c 9800 9000	9000 7600	7600 6900	0	2	K-8 9-12	150 200	150 15850	0	St	Y	Oct	Feb	-	Oct	399A 399B
	Melbourne	58	WF WOF	6800 6300	5700 4600	4600 3900	0	2	K-2 3-4 5-6 7-8 9-10 11-12	2650 2750 2900 3150 3500 3600	15850 15850 15850 15850 15850 15850	0	St	W	Oct	Feb	-	Oct	399A 399B
	Newcastle	44	WF WOF	c 6100 5700	5700 4600	4600 4200	0	2	K-8 9-12	200 300	200 15850	0	HHS	W	Oct	-	-	Oct	399A 399B
	North West Cape	13	See Footnote d				0	3	K-8 9-12	150 150	150 15850	10	Nav	-	-	-	Dec E	Oct	392B 393B
	Perth	42	WF WOF	c 6900 6900	6500 5300	5300 4500	0	2	K-3 4-5 6-7 8-12	1600 2000 2250 2750	15850 15850 15850 15850	0	St	W	Oct	Feb	-	Oct	399A 399B
	Sydney	54	WF WOF	13800 10700	11000 9000	9000 8300	0	2	K-6 7-10 11-12	150 3250 3600	150 15850 15850	0	St	W	Oct	Feb	-	Oct	399A 399B
	Other	13	See Footnote d				0	2	K-8 9-12	200 300	200 15850	0	-	-	-	-	-	Oct	392B 393B
	AUSTRIA																		
a	Salzburg	51a	See Footnote d				15a	2	K-7 8-12	4400 4350	4400 4350	0	St	W	Jan	Jun		Dec	398A 400A
a c	Vienna	65a	WF WOF	18200c 15300c	15400c 12200c	12200c 11100c	15a	2	K-5 6-12	4100 4500	4100 4500	0	St	Y	Jan	Jun	-	Dec	400A 400B
a	Other	22a	See Footnote d				15a	2	K-8 9-12	150 150	150 11350	0	-	-	-	-	-	Dec	398A 400A
	AZORES Lajes Field (11/1 - 3/31) (4/1 - 10/31)	13 19	WF WOF	3800 3300	3800 3300	3600 2800	0	2	K-12	4400	4400	10	AF	-	-	Jun	Jul 0	Oct	392B 398A

	1	2	3				4	5	6			7	8	9	10	11	12	13	14
		ALLOWANCES											REPORTING SCHEDULE						
			QUARTERS						EDUCATION										
				LOA Groups					School										
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	2	3	4	POST ALLOW	TRANS ZONES	School Grade	At Post	Away From	DIFF RATE %	AGENCY	Retail Price Schedule Type	Retail Price Schedule Due	Educ. Review Report Due	Diff. Review Report Due	LOA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
	Ponta Delgada (11/1 - 3/31) (4/1 - 10/31)	20 26		See Footnote d			0	2	K-4 5-12	150 150	150 12700	10	St	W	Nov	Jul	Jul 0	Oct	368A 398A
	Other (11/1 - 3/31) (4/1/ - 10/31)	13 19		See Footnote d			0	2	K-12	500	12700	10	-	-	-	-	Jul 0	Oct	359A 398A
	BAHAMAS, THE Andros Island	73		See Footnote d			0	3	K-12	150	11450	15	Nav	W	Dec	-	Apr 0	Dec	351A 360B
	Eleuthera Island (5/1 - 12/14) (12/15 - 4/30)	57 80		See Footnote d			0	3	K-8 9-12	4400 450	4400 11450	0	Nav	W	Dec	Jun	-	Dec	381B 392B
b	Grand Bahama Island (5/1 - 12/14) (12/15 - 4/30)	85 97	WF WOF	17000 14200	16500 13500	16500 13500	15b	3	K-4 5-8 9-10 11-12	1950 2050 1950 2000	1950 2050 1950 11450	0	St	Y	Dec	Jun	-	Dec	399B 400B
	Nassau (5/1 - 12/14) (12/15 - 4/30)	86 104	WF WOF	22000 17000	15800 15200	15500 14900	25	3	K-6 7-9 10 11 12	2950 3250 3450 3450 3750	2950 3250 3450 11450 11450	0	St	Y	Dec	Jun	-	Dec	399A 399B
	Other	10		See Footnote d			0	3	K-12	150	150	0	-	-	-	-	-	Dec	240 383A
	BAHRAIN	84	WF WOF	22600 22600	22600 20200	18400 17000	30	3	K-12	6650	6650	15	St	Y	Feb	Jun	Sep 0	Apr	388B 392B
	BANGLADESH Dhaka	57	WF WOF	c 6600 6400	5400 4400	4400 3900	0	3	K-6 7-8 9-12	3900 4200 4200	3900 4200 12000	25	St	Y	Dec	Jul	Feb E	Dec	393B 398A
	Other	10		See Footnote d			0	3	K-12	150	12000	25	-	-	-	-	Feb E	Dec	324A 383A
	BARBADOS (4/16 - 12/14) (12/15 - 4/15)	76 118	WF WOF	14100 11500	12100 9900	9900 7900	10	3	K-6 7-12	2200 2200	2200 12400	0	St	Y	Mar	Jun	-	Sep	397A 398B

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CHANGE	1	2	3				4	5	6			7	8	9	10	11	12	13	14
		ALLOWANCES											REPORTING SCHEDULE						
	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT		QUARTERS						EDUCATION										
		TLA	FAMILY STATUS	LOA Groups			POST ALLOW	TRANS ZONES	School			DIFF RATE %	AGENCY	Retail Price Schedule		Educ Review Report Due	Diff Review Report Due	LOA SF1190 Report Due	Ref. TO PAST CHANGES TL:SR NO.
				2	3	4			School Grade	At Post	Away From			Type	Due				
	BELGIUM																		
a c	Antwerp (incl. Hoogbuul)	39c	WF WOF	e 10600c 10200c	10200c 8900c	8900c 7000c	10a	2	K-8 9-12	4350 4900	4350 4900	0	St	W	Mar	Jun	-	Jun	400A 400B
a c	Brussels	56c	WF WOF	13700c 10600c	12100c 9100c	9100c 7700c	10a	2	K-12	4400	4400	0	St	Y	Mar	Jun	-	Jun	400A 400B
a c	Florennes	36c	WF WOF	6600c 6200c	6200c 5400c	5400c 5400c	10a	2	K-12	4400	4400	0	AF	W	Mar	Jun	-	Jun	400A 400B
a c	Henri-Chapelle	22c	See Footnote d				10a	2	K-8 9-12	200 200	200 11050	0	ABMC	-	-	-	-	Jun	400A 400B
a c	Herstal	39c	WF WOF	e 7400c 7100c	7300c 6400c	6400c 5800c	10a	2	K-6 7-8 9-12	150 300 500	150 300 11050	0	AF	W	Mar	Jun	-	Jun	400A 400B
a c	Kleine Brogel	22c	WF WOF	e 7700c 7300c	7700c 6200c	6200c 5300c	10a	2	K-6 7-12	4400 150	4400 11050	0	Ar	-	-	Jun	-	Jun	400A 400B
a c	Neuville-en-Condroz	22c	See Footnote d				10a	2	K-6 7-8 9-12	150 300 500	150 300 11050	0	ABMC	-	-	Jun	-	Jun	400A 400B
c	SHAPE/Chievres (incl. Gosselies)	36c	WF WOF	8800c 7500c	8400c 6800c	7400c 6100c	0	2	K-12	4400	4400	0	Ar	Y	Mar	Jun	-	Jun	400A 400B
a c	Waereghem	21c	See Footnote d				10a	2	K-12	150	11050	0	ABMC	-	-	-	-	Jun	400A 400B
c	Other	21c	See Footnote d				0	2	K-8 9-12	150 150	150 11050	0	-	-	-	-	-	Jun	400A 400B
	BELIZE																		
	Belize City	50	See Footnote d				0	3	K-8 9-12	850 550	12300 12300	25	St	Y	Jun	Jun	May O	Jun	393A 394A
	Other	10	See Footnote d				0	3	K-12	150	12300	25	-	-	-	-	May O	Jun	383A 384A
	BENIN																		
b c	Cotonou	58c	See Footnote d				20b	3	K-5 6-9 10-12	1400 1750 2000	13400 13400 13400	25	St	Y	Sep	Jun	Nov E	Sep	400A 400B
b c	Other	25c	See Footnote d				20b	3	K-12	150	13400	25	-	-	-	-	Nov E	Sep	400A 400B

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		ALLOWANCES											REPORTING SCHEDULE						
	1	2	3				4	5	6			7	8	9	10	11	12	13	14
			QUARTERS						EDUCATION										
				LOA Groups						School									
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	2	3	4	POST ALLOW	TRANS ZONE	School Grade	At Post	Away From	DIFF RATE %	AGENCY	Retail Price Schedule Type	Retail Price Schedule Due	Educ. Review Report Due	Diff. Review Report Due	LOA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
	BERMUDA																		
	(12/1 - 3/15)	77	WF	19000	18000	18000	0	3	K-12	4400	4400	0	St	Y	Dec	Jun	-	Dec	392B
	(3/16 11/30)	88	WDF	18000	15600	15600													396A
	BOLIVIA																		
	Cochabamba	29	WF	5700	5700	4500	0	2	K-6	1900	1900	10	AID	W	Dec	May	May	Dec	388B
			WDF	4500	4500	4000			7-12	2250	2250						0		398A
	La Paz	42	WF	c 10800	10800	9800	0	2	K-5	2900	2900	25	St	Y	Dec	May	May	Dec	392B
			WDF	10800	9800	7600			6-12	3050	3050						0		397A
	Santa Cruz	35	WF	5700	5700	4500	0	2	K-6	1450	14150	10	AID	W	Dec	Jun	May	Dec	388B
			WDF	4500	4500	4000			7-12	1650	14150						0		397A
	Other	10	See Footnote d				0	2	K-12	150	14150	20	-	-	-	-	May	Dec	324A
																	0		383A
	BOTSWANA																		
c	Francistown	41c	See Footnote d				0	2	K-7	800	800	15	AID	W	May	Oct	Oct	May	400A
									8	800	15500						E		400B
									9-12	150	15500								
c	Gaborone	41c	See Footnote d				0	2	K-3	1150	1150	10	St	Y	May	Oct	Oct	May	400A
									4-7	1150	15500						E		400B
									8-12	2750	15500								
c	Gomare	41c	See Footnote d				0	3	K-7	150	150	25	AID	-	-	-	Oct	May	400A
									8-12	150	15500						E		400B
c	Mahalapye	41c	See Footnote d				0	2	K-7	750	750	15	AID	W	May	Oct	Oct	May	400A
									8	750	15500						E		400B
									9-12	150	15500								
c	Maun	41c	See Footnote d				0	2	K-7	150	150	15	AID	W	May	Oct	Oct	May	400A
									8-12	150	15500						E		400B
c	Molepolole	41c	See Footnote d				0	2	K-12	150	15500	10	AID	W	May	-	Oct	May	400A
																	E		400B
c	Ngwatle Pan	41c	See Footnote d				0	3	K-3	150	150	20	AID	-	-	-	Oct	May	400A
									4-12	150	15500						E		400B
c	Other	41c	See Footnote d				0	2	K-7	150	150	10	-	-	-	-	Oct	May	400A
									8-12	150	15500						E		400B

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CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	2 TLA	3 QUARTERS FAMILY STATUS	3 QUARTERS LOA Groups 2	3 QUARTERS LOA Groups 3	3 QUARTERS LOA Groups 4	4 POST ALLOW	5 TRANS ZONE	6 EDUCATION School Grade	6 EDUCATION School At Post	6 EDUCATION School Away From	7 DIFF RATE %	8 AGENCY	9 Retail Price Schedule Type	10 Retail Price Schedule Due	11 Educ. Review Report Due	12 Diff. Review Report Due	13 LOA SF1190 Report Due	14 KEY TO PAST CHANGES TL:SR NO.
	BRAZIL																		
	Belo Horizonte	35	WF WDF	g 5800 5300	5800 4600	4600 3800	0	3	K-6 7-8 9-12	6450 7500 7500	6450 7500 15300	10	USIA	W	Nov	May	May 0	Nov	378B 385A
	Brasilia	34	WF WDF	g 15000 11300	14200 11300	11300 9300	0	3	K-6 7-12	4950 5850	4950 5850	10	St	W	Nov	May	May 0	Nov	382B 388A
	Porto Alegre	52	WF WDF	g 8000 8000	8000 6400	6400 5300	0	2	K-8 9-12	5050 4250	5050 15300	10	St	W	Nov	Jun	May 0	Nov	378A 382A
	Recife, Pernambuco	30	WF WDF	g 6600 5800	6600 5600	5600 5000	0	3	K-6 7-8 9-12	3350 3950 4000	3350 3950 15300	10	St	W	Nov	May	May 0	Nov	378B 392A
	Rio de Janeiro	51	WF WDF	g 15500 11100	11100 8900	8900 7200	0	3	K-6 7-12	3100 3400	3100 3400	0	St	Y	Nov	Apr	-	Nov	392B 399A
	Salvador da Bahia	32	WF WDF	g 5500 5500	5500 4800	4800 4000	0	3	K-6 7-12	3900 5400	3900 5400	10	St	W	Nov	May	May 0	Nov	373B 382A
	Sao Jose dos Campos	10	WF WDF	g 5900 5900	5900 4700	4700 3900	0	3	K-5 6-12	400 400	400 15300	0	DOT	-	-	May	-	Nov	324A 383A
	Sao Paulo	54	WF WDF	g 13000 10000	10000 8000	8000 6500	0	2	K-4 5-8 9-12	3550 4150 4750	3550 4150 4750	0	St	W	Nov	Jun	-	Nov	385A 393A
	Other Area #1 (Acre, Amapa Amazonas, Goias, Maranhao Mato Grosso & Do Sul, Para Piaui, Rondonia, Roriama)	10	See Footnote g				0	3	K-8 9-12	150 150	150 15300	15	-	-	-	-	May	Nov	335B 383A
	Other Area #2	10	See Footnote g				0	3	K-8 9-12	150 150	150 15300	0	-	-	-	-	-	Nov	324A 383A
	BRITISH WEST INDIES																		
	Grand Cayman (5/1 - 11/30) (12/1 - 4/30)	46 73	WF WDF	g 10500 9900	10500 8500	8500 6800	25	3	K-8 9-12	380 350	380 350	10	Com	Y	Jun	Oct	Mar	Jun	369A 379A
	Montserrat (5/1 - 11/30) (12/1 - 4/30)	47 69	See Footnote g				10	3	K-12	150	12150	0	AID	Y	Jun	May	-	Jun	392B 393A
	Other (5/1 - 11/30) (12/1 - 4/30)	41 47	See Footnote g				5	3	K-12	150	150	0	-	-	-	-	-	Jun	305B 393A

[illegible]

CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	LOA Groups 2	3	4	4 POST ALLOW	5 TRANS ZONES	6 EDUCATION School School Grade	At Post	Away From	7 DIFF RATE %	REPORTING SCHEDULE 8 AGENCY	9 Retail Price Schedule Type	10 Due	11 Educ. Review Report Due	12 Diff. Review Report Due	13 LOA SF1190 Report Due	14 SET TO PAST CHANGES TL:SR NO.
b	BRUNEI Bandar Seri Begawan	97	See Footnote d				15b	3	K-6 7 8-12	1700 2050 150	12750 12750 12750	15	St	Y	Mar	Jun	Dec E	Mar	399A 400B
b	Other	12	See Footnote d				10b	3	K-12	150	12750	10	-	-	-	-	Dec E	Mar	399A 400B
a b	BULGARIA Sofia	49a	See Footnote d				15b	2	K-6 7-8 9-12	4600 4600 150	4600 12150 12150	10	St	Y	May	Jun	Jul O	May	400A 400B
b	Other	10	See Footnote d				15b	2	K-12	150	12150	15	-	-	-	-	Jul O	May	383A 400B
a c	BURKINA Ouagadougou	54c	See Footnote d				35a	3	K-2 3-8 9-12	3600 3800 3800	3600 3800 13500	25	St	Y	Sep	Jul	Nov E	Sep	400A 400B
a c	Other	26c	See Footnote d				35a	3	K-12	150	13500	25	-	-	-	-	Nov E	Sep	400A 400B
	BURMA Rangoon	38	See Footnote d				0	3	K-8 9-12	2650 4100	2650 12750	25	St	Y	Feb	May	Mar E	Feb	392B 393B
	Other	24	See Footnote d				0	3	K-12	150	12750	25	-	-	-	-	Mar E	Feb	254 336A
	BURUNDI Bujumbura	59	See Footnote d				15	3	K-6 7-9 10-12	3450 3750 4150	14700 14700 14700	20	St	Y	Jan	Jun	Nov O	Jan	395B 397B
	Other	12	See Footnote d				15	3	K-12	150	14700	25	-	-	-	-	Nov O	Jan	395B 397B
a c	CAMEROON Douala	60c	See Footnote d				42a	3	K-2 3-6 7-12	2950 2950 550	2950 13700 13700	15	St	W	Sep	Jun	Nov E	Sep	400A 400B
a c	Dschang	38c	See Footnote d				42a	3	K-12	4850	13700	20	AID	W	Sep	Jun	Nov E	Sep	400A 400B

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CHANGE	1	ALLOWANCES 2	3 QUARTERS				4	5	6 EDUCATION			7	REPORTING SCHEDULE 8	9	10	11	12	13	14
	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	LQA Groups 2	3	4	POST ALLOW	TRANS ZONE	School Grade	School At Post	Away From	DIFF RATE %	AGENCY	Retail Price Schedule Type	Due	Educ. Review Report Due	Diff. Review Report Due	LQA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
a c	Yaounde	55c	See Footnote d				42a	3	K-8 9 10-12	4350 4350 3100	4350 13700 13700	15	St	Y	Sep	Jun	Nov E	Sep	400A 400B
a c	Other	38c	See Footnote d				42a	3	K-12	150	13700	25	-	-	-	-	Nov E	Sep	400A 400B
	CANADA Amherstburg (incl. Kingsville)	10	WF WOF	2800 2800	2800 2400	2800 2400	0	2	K-12	150	150	0	Ar	-	-	-	-	Dec	391A 391B
	Argentia	19	See Footnote d				0	1	K-12	4400	4400	0	Nav	-	-	Jun	-	Dec	391A 392B
	Baie Comeau	24	WF WOF	e 6200 6200	6200 4900	5400 4300	0	1	K-12	150	150	0	Agr	-	-	-	-	Dec	391B 399B
a	Calgary	40a	WF WOF	8600 8600	8600 7500	7500 6300	0	1	K-12	150	150	0	St	W	Nov	-	-	Dec	399B 400A
a	Edmonton	42a	WF WOF	9500 9500	9500 8200	8200 6300	0	1	K-12	150	150	0	Jus	W	Nov	-	-	Dec	399B 400A
a	Halifax (incl Dartmouth)	41a	WF WOF	e 5800 5800	5800 5800	5000 3800	0	1	K-8 9-12	150 1450	150 1450	0	St	W	Nov	Jun	-	Dec	399B 400A
a	Kingston	36a	WF WOF	e 10000 9100	9100 7200	7200 6000	0	1	K-12	150	150	0	St	-	-	-	-	Dec	399B 400A
a	Lethbridge	32a	WF WOF	e 6900 6900	6900 5700	5700 4600	0	1	K-12	150	150	0	Agr	-	-	-	-	Dec	399B 400A
a	London, Ontario	36a	WF WOF	5500 5500	5500 4300	4300 4000	0	2	K-12	150	150	0	DOD	W	Nov	-	-	Dec	399B 400A
a	Montreal	49a	WF WOF	11200 9300	9900 7600	7600 6200	0	1	K-7 8-12	150 4150	150 11350	0	St	W	Nov	Jun	-	Dec	399B 400A
a	North Bay Canadian Forces Base	30a	See Footnote d				0	1	K-12	150	150	0	AF	W	Nov	-	-	Dec	391A 400A
a	Ottawa	49a	WF WOF	11000 9200	9400 7200	7600 6700	0	1	K-12	150	150	0	St	Y	Nov	-	-	Dec	399B 400A
a	Port Cartier	29a	WF WOF	e 5500 5500	5500 4400	4400 3600	0	1	K-12	150	150	10	Agr	-	-	-	Mar O	Dec	399B 400A

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CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	LQA Groups 2	3	4	4 POST ALLOW	5 TRANS ZONE	6 EDUCATION School School Grade	At Post	Away From	7 DIFF RATE %	8 AGENCY	REPORTING SCHEDULE 9 Detail Price Schedule Type	10 Due	11 Educ Review Report Due	12 Diff Review Report Due	13 LQA Survey Report Due	14 REF. TO Post (number) TL SR NO.
	Prince Rupert	19	See Footnote d				0	2	K-12	150	150	0	Tr	W	Nov	-	-	Dec	376A 391A
a	Quebec (10/16 - 4/30) (5/1 - 10/15)	45a 56a	WF WDF	e 7800 7600	7800 7400	6600 5600	0	1	K-5 6-8 9-12	1250 1500 850	1250 1500 11350	0	St	W	Nov	-	-	Dec	399B 400A
a	Strait of Georgia Test Range, B.C.	30a	WF WDF	5900 5900	5900 4800	4800 4400	0	2	K-12	150	150	0	Nav	W	Nov	-	-	Dec	399B 400A
a	Toronto	45a	WF WDF	12900 10200	10200 7100	7100 6200	0	1	K-12	150	150	0	St	W	Nov	-	-	Dec	399B 400A
	Trois Rivieres	23	WF WDF	e 5800 5800	5800 4600	4600 3800	0	1	K-12	150	150	0	Agr	W	Nov	-	-	Dec	391B 399B
a	Vancouver (11/1 - 4/30) (5/1 - 10/31)	50a 79a	WF WDF	11200 9200	10200 9200	8400 6800	0	2	K-12	150	150	0	St	W	Nov	-	-	Dec	399B 400A
a	Victoria	44a	WF WDF	e 9700 9700	9700 8400	8400 6700	0	2	K-12	150	150	0	Jus	W	Nov	-	-	Dec	399B 400A
a	Windsor	47a	WF WDF	e 4800 4300	4300 3800	3800 3300	0	2	K-12	150	150	0	St	W	Nov	-	-	Dec	399B 400A
a	Winnipeg	39a	WF WDF	e 6800 6800	6800 5300	5300 4200	0	1	K-12	150	150	0	St	W	Nov	-	-	Dec	399B 400A
	Other-N.W. N.W. Territories	10	See Footnote d				0	1	K-12	150	150	25	-	-	-	-	-	Dec	383A 391A
	Other	10	See Footnote d				0	2	K-12	150	150	0	-	-	-	-	-	Dec	383A 391A
	CAPE VERDE																		
a	Praia	36a	See Footnote d				0	3	K-12	3000	13500	20	St	Y	Jun	Jun	Jan E	Sep	392A 400A
a	Other	22a	See Footnote d				0	3	K-12	150	13500	25	-	-	-	-	Jan E	Sep	394A 400A
	CENTRAL AFRICAN REPUBLIC																		
a c	Bangui	57c	See Footnote d				30a	3	K-6 7-12	2900 3200	14200 14200	20	St	Y	Nov	Jul	Dec E	Sep	400A 400B

a Eff 2 16 86, b Eff. 3-2-86
c Please see Page 52

CHANGE	1	ALLOWANCES 2	3				4	5	6			7	REPORTING SCHEDULE 8	9	10	11	12	13	14
			QUARTERS						EDUCATION										
	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	LQA Groups 2	3	4	POST ALLOW	TRANS ZONES	School Grade	School At Post	Away From	DIFF RATE %	AGENCY	Retail Price Schedule Type	Due	Educ. Review Report Due	Diff Review Report Due	LQA SF1190 Report Due	REF TO PAST CHANGES TL:SR NO.
a c	Other	25c	See Footnote d				30a	3	K-12	150	14200	25	-	-	-	-	Nov E	Sep	400A 400B
	CHAD																		
c	Ndjamena	40c	See Footnote d				42c	3	K-8 9-12	10300 2000	13600 13600	25	St	Y	Sep	Jul	Nov O	Sep	400A 400B
c	Other	23c	See Footnote d				42c	3	K-12	150	13600	25	-	-	-	-	Nov O	Sep	400A 400B
	CHAGOS ARCHIPELAGO	10	See Footnote d				0	2	K-12	150	150	20	Nav	W	Jan	-	Dec E	Jan	286 383A
	CHILE																		
	Santiago	50	WF WOF	c 18700 18200	18000 15500	15500 11700	0	2	K-6 7-8 9-12	4500 4650 4650	4500 4650 15000	0	St	Y	Apr	Dec	-	Apr	393B 399B
	Other	10	See Footnote d				0	2	K-8 9-12	150 150	150 15000	0	-	-	-	-	-	Apr	382B 383A
	CHINA																		
	Beijing	65	See Footnote d				0	2	K-6 7-8 9-12	4000 4000 150	4000 11800 11800	20	St	Y	Jul	Jun	Jun O	Mar	388B 393B
	Chengdu	24	See Footnote d				0	2	K-12	150	11800	20	St	W	Jul	-	Jun O	Mar	392B 398A
	Guangzhou	46	See Footnote d				0	2	K-8 9-12	8200 150	11800 11800	20	St	W	Jul	Jun	Jun O	Mar	393A 398B
	Shanghai	38	See Footnote d				0	2	K-12	5400	11800	20	St	W	Jul	Jul	Jun O	Mar	356B 378B
	Shenyang	28	See Footnote d				0	2	K-8 9-12	5000 150	11800 11800	25	St	W	Jul	Jun	Jun O	Mar	388B 389B
	Other	10	See Footnote d				0	2	K-12	150	11800	15	-	-	-	-	Jun O	Mar	342A 383A
	COLOMBIA																		
	Barranquilla	53	WF WOF	c 5800 4600	5100 4200	4300 3300	0	3	K-5 6-8 9-11 12	1600 1800 1900 1950	1600 c 1800 1900 1950	15	St	W	Oct	Jun	Sep E	Aug	387B 389B

a Eff. 2-16-86, b Eff. 3-2-86
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POST CLASSIFICATION AND PAYMENT TABLES

CHANGE	1	ALLOWANCES 2	3 QUARTERS				4	5	6 EDUCATION School			7	REPORTING SCHEDULE 8	9	10	11	12	13	14
	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	LOA Groups 2	3	4	POST ALLOW	TRANS ZONE	School Grade	At Post	Away From	DIFF RATE %	AGENCY	Retail Price Schedule Type	Due	Educ Review Report Due	Diff Review Report Due	LOA SF1190 Report Due	KEY TO PAST CHANGES TL SR NO.
	Bogota	59	WF WOF	e 26000 26000	26000 24000	21000 17000	0	2	K-5 6-8 9-10 11-12	1950 2200 2300 2350	1950 2200 2300 2350	g 15	St	Y	Oct O	Jun	Sep E	Aug	389B 399A
	Cali	49	WF WOF	e 10900 10600	10900 10400	9900 7300	0	3	K-4 5-8 9-12	2500 2800 3000	2500 2800 3000	g 0	USIA	W	Oct	Jun	Sep E	Aug	377A 387B
	Medellin	47	WF WOF	e 10800 10800	10800 9200	8800 7000	0	3	K-8 9-12	2050 2050	2050 13150	g 10	USIA	W	Oct	Nov	Sep E	Aug	387B 389B
	Other	10	See Footnote d				0	3	K-8 9-12	150 150	150 13150	g 0	-	-	-	-	-	Aug	383A 387B
	COMOROS																		
c	Moroni	64c	See Footnote d				42	2	K-12	400	15350	25	St	W	Nov	Jun	Sep E	Nov	400A 400B
c	Other	18c	See Footnote d				42	2	K-12	150	15350	25	-	-	-	-	-	Nov	400A 400B
	CONGO																		
b c	Brazzaville	76c	See Footnote d				50b	3	K-5 6-12	1650 1850	14300 14300	25	St	Y	Jan	Jun	Nov O	Sep	400A 400B
b c	Other	22c	See Footnote d				50b	3	K-12	1500	14300	20	-	-	-	-	Nov O	Sep	400A 400B
	COSTA RICA																		
	San Jose	43	WF WOF	13000 13000	13000 12000	9200 8400	0	2	K-8 9-12	2100 2100	2100 12550	0	St	Y	Jan	Dec	-	Jan	393A 394B
	Other	10	See Footnote d				0	3	K-12	150	12550	15	-	-	-	-	Apr O	Jan	325A 383A
	CUBA																		
	Guantanamo Bay	10	See Footnote d				0	3	K-12	4400	4400	10	Nav	-	-	Jun	Apr E	Feb	383A 392B
	Havana	43	See Footnote d				5	3	K-6 7-8 9-12	2550 2850 1750	2550 12800 12800	20	St	Y	Feb	Jun	Apr E	Feb	386A 399A
	Other	10	See Footnote d				0	3	K-8 9-12	150 150	150 12800	10	-	-	-	-	Apr E	Feb	324A 383A

a Eff [illegible] b Eff 3 2 88
d [illegible] see Page 52

CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	3 QUARTERS LOA Groups 2	3 QUARTERS LOA Groups 3	3 QUARTERS LOA Groups 4	4 POST ALLOW	5 TRANS ZONES	6 EDUCATION School Grade	6 EDUCATION School At Post	6 EDUCATION School Away From	7 DIFF RATE %	REPORTING SCHEDULE 8 AGENCY	9 Retail Price Schedule Type	10 Retail Price Schedule Due	11 Educ. Review Report Due	12 Diff Review Report Due	13 LOA SF1190 Report Due	14 KEY TO PAST CHANGES TL:SR NO.
	CYPRUS Nicosia	44	WF WOF	c 7000 6300	7000 6300	5900 5100	0	2	K-2 3-5 6-7 8-12	1700 1850 2050 3700	1700 1850 2050 3700	10	St	Y	Dec	Jun	Sep E	Oct	397A 398A
	Other	28	See Footnote d				0	2	K-7 8-12	150 150	150 12050	10	-	-	-	-	Apr E	Oct	395B 398A
	CZECHOSLOVAKIA Prague	51	See Footnote d				0	2	K-7 8 9-12	4700 4700 350	4700 11350 11350	0	St	Y	Oct E	Jun	-	Oct	394B 397B
	Other	21	See Footnote d				0	2	K-12	150	11350	10	-	-	-	-	Jul O	Oct	328A 398A
b	DENMARK Copenhagen	57b	WF WOF	11500 11500	11100 9800	9800 7200	10b	2	K-6 7-8 9 10-11 12	2900 3200 3200 5550 5800	2900 3200 11750 11750 11750	0	St	Y	Mar	Jun	-	Mar	399A 400B
b	Other	18b	See Footnote d				10b	2	K-8 9-12	150 150	150 11750	0	-	-	-	-	-	Mar	399A 400B
	DJIBOUTI Djibouti (City)	80	See Footnote d				30	3	K-8 9-12	3550 1700	13950 13950	25	St	Y	Jul	Jun	Oct O	Feb	373A 386A
	Other	26	See Footnote d				30	3	K-12	150	13950	25	-	-	-	-	Oct O	Feb	364B 368B
	DOMINICA	47	WF WOF	c 11000 10000	11000 9200	9200 7500	10	3	K-12	150	12350	10	AID	Y	Jun	May	Mar E	Jun	384A 385B
a	DOMINICAN REPUBLIC Santo Domingo (4/16 - 12/14) (12/15 - 4/15)	36 44	WF WOF	11900a 9400a	9400a 7600a	7600a 6200a	0	3	K-3 4-6 7-8 9-12	3050 3250 3500 3700	3050 3250 3500 3700	10	St	Y	Jan	Jun	Apr O	Feb	390B 400A
	Other	16	See Footnote d				0	3	K-12	150	11450	15	-	-	-	-	Apr O	Feb	390A 390B

a Eff. 2 16 86, b Eff. 3 2 86
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	1	2	3				4	5	6			7	8	9	10	11	12	13	14
		ALLOWANCES											REPORTING SCHEDULE						
			QUARTERS						EDUCATION										
				LQA Groups						School									
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	2	3	4	POST ALLOW	TRANS ZONES	School Grade	At Post	Away From	DIFF RATE %	AGENCY	Retail Price Schedule Type	Due	Educ. Review Report Due	Diff. Review Report Due	LQA SF1190 Report Due	*Ref TO PAST CHANGES TL:SR NO.
	ECUADOR Guayaquil	34	WF WOF	11000 9400	11000 8100	9100 7100	0	3	K-4 5-8 9-12	2500 2750 2950	2500 2750 13100	15	St	W	Jan	Feb	May E	Jan	389B 392B
	Quito	45	WF WOF	13800 9900	9900 7200	7200 6400	0	2	K-2 3-5 6-8 9-12	3250 3450 4050 4350	3250 3450 4050 13100	15	St	Y	Jan O	Jun	May E	Jan	399A 399B
	Other	20	See Footnote d				0	2	K-12	150	13100	20	-	-	-	-	May E	Jan	330A 388B
	EGYPT Alexandria	26	See Footnote d				0	3	K-4 5-8 9-12	5400 5600 5850	5400 5600 12050	20	St	W	Apr	Jun	Sep E	Apr	396A 399A
	Cairo	39	WF WOF	e 14800 14800	14800 11800	11800 9600	0	3	K-12	6600	6600	20	St	Y	Apr E	Jun	Sep E	Apr	396A 399A
	MFO Bases (incl. El Gorah and Ras Nasrani)	10	See Footnote d				0	3	K-12	0	0	20	Ar	-	-	-	Sep E	-	370A 386A
	Other	10	See Footnote d				0	3	K-12	150	12050	20	-	-	-	-	Sep E	Apr	383A 398A
	EL SALVADOR San Salvador	39	WF WOF	e 14500 14500	12900 11000	11000 9200	0	3	K-5 6-8 9-12	1700 1750 1850	1700 e 1750 1850	15	St	Y	Jan O	Jun	Oct O	Jan	398A 399B
	Other	10	See Footnote d				0	3	K-8 9-12	150 150	150 e 12500	15	-	-	-	-	Oct O	-	383A 399B
a c	EQUATORIAL GUINEA Malabo	49c	See Footnote d				42a	3	K-12	150	13850	25	St	Y	Sep	Jun	Nov E	Sep	400A 400B
a c	Other	49c	See Footnote d				42a	3	K-12	150	13850	25	-	-	-	-	-	Sep	400A 400B
b	ETHIOPIA Addis Ababa	65	See Footnote d				10	2	K-6 7-8 9-12	3000 3300b 3400	3000 3300b 13650	25	St	Y	Oct	Jun	Oct E	Feb	399B 400B

a Eff 2 16 86 b Eff 3 2 86
c Please see Page 52

	1	ALLOWANCES										REPORTING SCHEDULE						
		2	3				4	5	6			7	8	9	10	11	12	13	14
			QUARTERS						EDUCATION										
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	LQA Groups 2	LQA Groups 3	LQA Groups 4	POST ALLOW	TRANS ZONE	School Grade	School At Post	School Away From	DIFF RATE %	AGENCY	Retail Price Schedule Type	Retail Price Schedule Due	Educ. Review Report Due	Diff. Review Report Due	LQA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
	Other	25	See Footnote d				10	2	K-12	150	13650	25	-	-	-	-	Oct E	Feb	386B 399B
	FALKLAND ISLANDS	15	See Footnote d				0	1	K-5 6-12	150 150	150 17150	15	DOD	W	Dec	-	-	Jun	314B 324A
	FIJI Suva	45	See Footnote d				0	3	K-5 6-7 8-12	1150 1550 2000	1150 15750 15750	15	St	Y	Feb	Jun	May E	Feb	393B 398A
	Other	12	See Footnote d				0	3	K-12	150	150	10	-	-	-	-	May E	Feb	393B 398A
b	FINLAND Helsinki	67b	WF e WOF	8900b 6800b	7800b 6100b	6800b 6100b	30b	1	K-4 5-6 7-8 9-12	6600 7100 7100 1350	6600 7100 12300 12300	0	St	Y	May	Jun	-	May -	398A 400B
b	Other	20b	See Footnote d				25b	1	K-8 9-12	150 150	150 12300	0	-	-	-	-	-	May	398A 400B
a c	FRANCE Belleau	24c	See Footnote d				15a	2	K-12	150	11000	0	ABMC	-	-	Jul	-	Nov	400A 400B
a c	Bony	24c	See Footnote d				15a	2	K-6 7-12	150 150	150 11000	0	ABMC	-	-	-	-	Nov	400A 400B
a c	Bordeaux	52c	See Footnote d				15a	2	K-4 5-7 8-9 10-12	350 400 550 600	350 11000 11000 11000	0	St	W	Mar	Jun	-	Nov	400A 400B
a c	Clermont-Ferrand	28c	WF e WOF	5300c 5300c	5300c 4900c	4900c 4900c	15a	2	K-5 6-12	150 150	150 11000	0	Com	-	-	Jun	-	Nov	400A 400B
a c	Draguignan	24c	See Footnote d				15a	2	K-8 9-12	150 150	150 11000	0	ABMC	-	-	-	-	Nov	400A 400B
a c	[illegible]	24c	See Footnote d				15a	2	K-8 9-12	150 200	150 11000	0	ABMC	-	-	Jun	-	Nov	400A 400B
a c	Fere en Tardenois	24c	See Footnote d				15a	2	K-7 8-12	150 200	150 11000	0	ABMC	-	-	-	-	Nov	400A 400B

		ALLOWANCES											REPORTING SCHEDULE						
	1	2	3				4	5	6			7	8	9	10	11	12	13	14
			QUARTERS						EDUCATION										
				LQA Groups					School					Retail Price Schedule					
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	2	3	4	POST ALLOW	TRANS ZONES	School Grade	At Post	Away From	DIFF RATE %	AGENCY	Type	Due	Educ. Review Report Due	Diff Review Report Due	LQA SF1190 Report Due	REF. TO PAST CHANGES TL:SR NO.
a c	Fontainebleau	24c	WF WOF	12800c 12800c	12800c 10100c	10100c 7900c	15a	2	K-8 9-12	150 150	150 11000	0	Ar	-	-	-	-	Nov	400A 400B
c	Lyon	41c	See Footnote d				20	2	K-8 9-12	200 200	200 11000	0	St	W	Mar	Jul	-	Nov	400A 400B
b c	Marseille	44c	WF WOF	e 8700c 8700c	8700c 8700c	7400c 5700c	25b	2	K-4 5-12	550 550	550 11000	0	St	Y	Mar	Jul	-	Nov	400A 400B
a c	Mulhouse	41c	WF WOF	e 8200c 8200c	8200c 6300c	6300c 5500c	15a	2	K-5 6-12	150 150	150 11000	0	AF	-	-	-	-	Nov	400A 400B
a c	Nice	41c	See Footnote d				15a	2	K-5 6-12	150 150	150 11000	0	St	W	Mar	-	-	Nov	400A 400B
a c	Paris (incl. Suresnes and and Sevres)	74c	WF WOF	17100c 14400c	15500c 13100c	12700c 11000c	20a	2	K-5 6-8 9-12	6300 6550 7350	6300 6550 7350	0	St	Y	Mar	Jun	-	Nov	400A 400B
a c	Romagne-sous-Montfaucon	24c	See Footnote d				15a	2	K-4 5-6 7-12	350 350 150	350 11000 11000	0	ABMC	-	-	Jul	-	Nov	400A 400B
a c	St. Avold	24c	See Footnote d				15a	2	K-6 7-8 9 10-12	150 400 450 500	150 400 11000 11000	0	ABMC	-	-	Jul	-	Nov	400A 400B
a c	St. James	24c	See Footnote d				15a	2	K-6 7-9 10-12	150 150 600	150 11000 11000	0	ABMC	-	-	Jun	-	Nov	400A 400B
a c	St. Laurent	24c	See Footnote d				15a	2	K-8 9-12	200 950	200 11000	0	ABMC	-	-	Jun	-	Nov	400A 400B
a c	St. Mihiel	24c	See Footnote d				15a	2	K-8 9-12	150 150	150 11000	0	ABMC	-	-	Jul	-	Nov	400A 400B
a c	St. Nazaire Donges	24c	WF WOF	11300c 11300c	11300c 9200c	9200c 7400c	15a	2	K-5 6-12	150 150	150 11000	0	DOD	-	-	Jun	-	Nov	400A 400B
a c	Strasbourg	62c	See Footnote d				15a	2	K-4 5-12	8000 8000	8000 11000	0	St	W	Mar	Jun	-	Nov	400A 400B
a c	Other	24c	See Footnote d				15a	2	K-5 6-12	150 150	150 11000	0	-	-	-	-	-	Nov	400A 400B

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c Please see Page 52

CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	LQA Groups 2	3	4	4 POST ALLOW	5 TRANS ZONES	6 EDUCATION School Grade	School At Post	Away From	7 DIFF RATE %	REPORTING SCHEDULE 8 AGENCY	9 Retail Price Schedule Type	10 Due	11 Educ. Review Report Due	12 Diff. Review Report Due	13 LQA SF1190 Report Due	14 KEY TO PAST CHANGES TL:SR NO.
	FRENCH POLYNESIA																		
	Huahine Island	41		See Footnote d			15	3	K-5 6-12	150 150	150 16100	0	NASA	Y	Feb	-	-	Feb	378A 380B
	Other	41		See Footnote d			15	3	K-5 6-12	150 150	150 16100	0	-	-	-	-	-	Feb	378A 380B
	FRENCH WEST INDIES																		
c	Martinique (4/16 - 12/14) (12/15 - 4/15)	59c 84c		See Footnote d			30	3	K-5 6-12	500 500	500 11500	15	St	Y	Feb	Jun	Mar E	Feb	400A 400B
a	Other	15a		See Footnote d			0	3	K-8 9-12	150 150	150 11500	20	-	-	-	-	Mar E	Feb	399B 400A
	GABON																		
a c	Libreville	71c		See Footnote d			42a	3	K-4 5-9 10-12	4750 4750 1400	4750 14200 14200	15	St	Y	Sep	Jul	Dec E	Sep	40CA 400B
a c	Other	24c		See Footnote d			42a	3	K-12	150	14200	25	-	-	-	-	Dec E	Sep	400A 400B
	GAMBIA, THE																		
a	Banjul	36a		See Footnote d			0a	3	K-5 6-8 9-12	3100 3100 1150	3100 13100 13100	20	St	Y	Nov	Oct	Dec E	Sep	399A 400A
a	uther	10a		See Footnote d			0a	3	K-12	150	13100	25	-	-	-	-	Dec E	Sep	399A 400A
	GERMAN DEMOCRATIC REP.																		
a	Berlin (Eastern Sector)	k 57a		See Footnote d			0	2	K-12	6300	6300	0	St	W	Feb	Jun	-	Mar	398A 400A
a	Other	k 25a		See Footnote d			0	2	K-6 7-12	150 150	150 11150	0	-	-	-	-	-	Mar	398A 400A
	GERMANY, FEDERAL REP. OF																		
a	Augsburg	33a	WF WOF	8800a 7600a	7900a 6500a	7600a 6500a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Bad Aibling	25a	WF WOF	7600a 7400a	7400a 5600a	5600a 5300a	0	2	K-12	4400	4400	0	DOD	W	Feb	Jun	-	Mar	399A 400A
a	Berchtesgaden	34a	WF WOF	e 6800a 6400a	6400a 6400a	5400a 4800a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A

		ALLOWANCES												REPORTING SCHEDULE						
	1	2	3				4	5	6			7	8	9	10	11	12	13	14
			QUARTERS						EDUCATION										
				LOA Groups					School										
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	2	3	4	POST ALLOW	TRANS ZONE	School Grade	At Post	Away From	DIFF RATE %	AGENCY	Retail Price Schedule Type	Retail Price Schedule Due	Educ. Review Report Due	Diff. Review Report Due	LQA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
a	Berlin (Western Sectors)	54a	WF WOF	10300a 10300a	10300a 8700a	8100a 8000a	0	2	K-12	4400	4400	0	St	W	Feb	Jun	-	Mar	399A 400A
a	Bonn (incl. Wahn)	60a	WF WOF	11700a 11200a	11300a 9900a	9900a 8700a	0	2	K-12	4650	4650	0	St	W	Feb	Jun	-	Mar	399A 400A
a	Bremen (incl. Delmenhorst)	37a	WF WOF	10300a 8700a	10300a 7600a	7600a 6700a	0	2	K-8 9-12	4650 4650	4650 11250	0	St	W	Feb	Jun	-	Mar	399A 400A
a	Bremerhaven	32a	WF WOF	8700a 8700a	8700a 7500a	7900a 6100a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Cologne	71a	WF WOF	c 9300a 9300a	9300a 7500a	7500a 6200a	0	2	K-6 7-12	4900 4900	4900 11250	0	USIA	W	Feb	Jun	-	Mar	399A 400A
a	Darmstadt	38a	WF WOF	8700a 7900a	8700a 6400a	7900a 5700a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Dusseldorf	70a	WF WOF	8200a 8200a	8200a 6800a	6800a 5600a	0	2	K-3 4-5 6-8 9-12	3700 3900 4550 4800	3700 3900 4550 4800	0	St	W	Feb	Jun	-	Mar	399A 400A
a	Flensburg	38a	WF WOF	c 8100a 6700a	6700a 5400a	6100a 5000a	0	2	K-8 9-12	4400 150	4400 11250	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Frankfurt am Main	56a	WF WOF	10800a 8800a	9500a 7500a	8400a 6800a	0	2	K-12	4400	4400	0	St	Y	Feb	Jun	-	Mar	399A 400A
a	Freiburg	29a	See Footnote d				0	2	K-6 7-12	150 150	150 11250	0	USIA	W	Feb	May	-	Mar	398A 400A
a	Garmisch-Partenkirchen (incl. Oberammergau)	39a	WF WOF	10400a 8700a	10400a 8400a	8400a 6700a	0	2	K-8 9-12	4400 150	4400 11250	0	St	W	Feb	Jun	-	Mar	399A 400A
a	Geilenkirchen	25a	WF WOF	7900a 7600a	7900a 7600a	7600a 7600a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Germersheim	25a	WF WOF	6300a 5500a	6300a 4900a	5300a 4500a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Giessen	35a	WF WOF	8600a 7800a	7800a 6200a	6800a 5600a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Hamburg	38a	WF WOF	8400a 7800a	7800a 7300a	6700a 5400a	5	2	K-5 6-8 9-12	4500 4600 4950	4500 4600 4950	0	St	Y	Feb	Jun	-	Mar	399A 400A

a Eff. 2 16 86. b Eff. 3 2 86
d Please see Page 52

		ALLOWANCES											REPORTING SCHEDULE						
	1	2	3				4	5	6			7	8	9	10	11	12	13	14
			QUARTERS						EDUCATION										
				LQA Groups					School										
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	2	3	4	POST ALLOW	TRANS ZONES	School Grade	At Post	Away From	DIFF RATE %	AGENCY	Retail Price Schedule Type	Due	Educ. Review Report Due	Diff. Review Report Due	LQA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
a	Hanau	28a	WF WDF	8700a 7600a	8100a 5700a	6900a 5400a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Hanover	55a	WF WDF	e 8800a 8000a	8800a 8100a	8100a 6300a	0	2	K-6 7-12	2600 2600	2600 11250	0	USIA	W	Feb	Jun	-	Mar	399A 400A
a	Heidelberg/Mannheim (incl. Schwetzingen and Rheinau)	37a	WF WDF	10400a 8700a	9300a 6900a	8200a 6100a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Heilbronn	32a	WF WDF	7900a 7500a	7500a 6100a	6300a 5700a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Jever	25a	WF WDF	7600a 7600a	7600a 6700a	6700a 5700a	0	2	K-8 9-12	4400 150	4400 11250	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Julich	25a	WF WDF	e 8700a 8700a	8700a 6900a	6900a 5700a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Kaiserslautern, Landkreis (incl. Sembach)	25a	WF WDF	10100a 8100a	7900a 5700a	6400a 5700a	0	2	K-12	4400	4400	0	AF	W	Feb	Jun	-	Mar	399A 400A
a	Karlsruhe	34a	WF WDF	10100a 8700a	9000a 6300a	7400a 6100a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Kerpen	37a	WF WDF	e 9300a 7900a	8900a 7800a	7400a 6400a	0	2	K-8 9-12	150 150	150 11250	0	Ar	W	Feb	-	-	Mar	399A 400A
a	Lahr	25a	See Footnote d				0	2	K-6 7-12	150 150	150 11250	0	Ar	W	Feb	-	-	Mar	398A 400A
a	Munich	57a	WF WDF	9000a 8100a	8800a 8100a	7500a 6900a	0	2	K-12	4400	4400	0	St	W	Feb	Jun	-	Mar	399A 400A
a	Munster (incl Greven and Handorf)	31a	WF WDF	e 6400a 6400a	6400a 5000a	5000a 4800a	0	2	K-8 9-12	4400 150	4400 11250	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Nurnberg (incl. Erlangen, Fuerth, Schwabach, and Zirndorf)	47a	WF WDF	8700a 7800a	7900a 6300a	6700a 6200a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Osterholz Scharmbeck (incl Garlstedt)	25a	WF WDF	8900a 8900a	8900a 7900a	8100a 7500a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Rheinberg	25a	WF WDF	8600a 8600a	8600a 7400a	7400a 6200a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A

CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	3 QUARTERS LQA Groups 2	3 QUARTERS LQA Groups 3	3 QUARTERS LQA Groups 4	4 POST ALLOW	5 TRANS ZONE	6 EDUCATION School Grade	6 EDUCATION School At Post	6 EDUCATION School Away From	7 DIFF RATE %	8 AGENCY	REPORTING SCHEDULE 9 Retail Price Schedule Type	10 Retail Price Schedule Due	11 Educ Review Report Due	12 Diff Review Report Due	13 LQA SF1190 Report Due	14 Ref. to Past Changes TL:SR NO.
a	Saarbrucken	37a	See Footnote d				0	2	K-6 7-12	150 150	150 11250	0	USIA	W	Feb	May	-	Mar	398A 400A
a	Sogel	25a	WF WOF	b 5900a 5600a	5600a 5000a	5000a 3700a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Stuttgart (incl Boblingen, Ludwigsburg and Nellingen)	58a	WF WOF	10100a 8700a	8900a 7400a	8200a 6700a	0	2	K-12	4400	4400	0	St	W	Feb	Jun	-	Mar	399A 400A
a	Tubingen	35a	See Footnote d				0	2	K-5 6-12	500 500	500 11250	0	USIA	W	Feb	Jan	-	Mar	398A 400A
a	Wiesbaden (incl. Mainz)	47a	WF WOF	10300a 9000a	10300a 8800a	8800a 6800a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Worms (incl. Gruenstadt)	27a	WF WOF	9400a 8800a	8400a 6400a	7400a 5600a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Wurzburg	57a	WF WOF	8900a 7900a	7900a 5600a	7600a 5600a	0	2	K-8 9-12	150 150	150 11250	0	Ar	W	Feb	-	-	Mar	399A 400A
a	Zweibrucken	25a	WF WOF	8100a 5900a	7500a 5700a	6400a 5300a	0	2	K-12	4400	4400	0	Ar	W	Feb	Jun	-	Mar	399A 400A
a	Other	25a	WF WOF	7600a 6500a	6500a 5400a	6000a 4800a	0	2	K-8 9-12	150 150	150 11250	0	-	-	-	-	-	Mar	399A 400A
	GHANA Accra	60	See Footnote d				20	3	K-7 8-12	6450 2250	6450 14600	25	St	Y	Dec	Jun	Nov E	Dec	390B 399B
	Other	10	See Footnote d				20	3	K-12	400	14600	25	-	-	-	-	Nov E	Dec	385A 399B
	GREECE Athens (incl. Elefsis, Ellinikon Mt. Parnis, Mt. Pateras, Nea Makri)	37	WF WOF	9500 9000	9500 7500	8800 6000	0	2	K-5 6-8 9-12	4400 4050 4100	4400 4050 4100	0	St	Y	Sep	Jun	-	Aug	397A 398A
	Iraklion (Crete)	22	WF WOF	3900 3800	3900 3800	3900 3800	0	2	K-10 11-12	4400 150	4400 11650	0	AF	W	Sep	Jun	-	Nov	381B 392B
	Kavala Relay Station	15	See Footnote d				0	2	K-8 9-12	3950 150	11650 11650	10	USIA	-	-	Jun	Aug E	Aug	355A 369B

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CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	LQA Groups 2	LQA Groups 3	LQA Groups 4	4 POST ALLOW	5 TRANS ZONE	6 EDUCATION School School Grade	School At Post	School Away From	7 DIFF RATE %	REPORTING SCHEDULE 8 AGENCY	9 Retail Price Schedule Type	10 Retail Price Schedule Due	11 Educ. Review Report Due	12 Diff Review Report Due	13 LQA SF1190 Report Due	14 REF TO PAST CHANGES TL:SR NO.
	GUYANA																		
	Georgetown	100	See Footnote d				0	3	K-6 7-8 9-12	3600 3600 150	3600 11900 11900	25	St	Y	Jun E	Jun	Mar O	Jun	384B 397A
	Other	10	See Footnote d				0	3	K-5 6-12	150 150	150 11900	20	-	-	-	-	Mar O	Jun	368A 383A
	HAITI																		
a	Port-au-Prince (incl. Petionville)	40a	WF WOF	10900 9400	10300 9200	9400 6800	0	3	K-9 10-12	2600 2600	2600 11650	15	St	Y	Oct	Jun	Apr O	Feb	395B 400A
	Other	10	See Footnote d				0	3	K-8 9-12	150 150	150 11650	20	-	-	-	-	Apr O	Feb	383A 386A
	HONDURAS																		
	Comayagua	10	See Footnote d				0	3	K-12	150	12450	20	Ar	-	-	-	-	Jul	363A 383A
	La Ceiba	28	WF WOF	13300 9500	12300 8700	9000 8700	0	3	K-12	150	12450	20	Ar	W	Jul	-	May E	Jul	384A 387A
	San Pedro Sula	66	WF WOF	12300 9500	12300 8700	9000 8700	0	3	K-3 4-6 7-8 9-12	900 1000 1100 1300	900 1000 1100 12450	15	AID	W	Jul	Jun	May E	Jul	388B 392A
	Swan Islands	10	See Footnote d				0	3	K-12	150	12450	25	COM	-	-	-	May E	Jul	254 383A
	Tegucigalpa	56	WF WOF	12300 9500	12300 8700	9000 8700	0	3	K-6 7-8 9-12	1700 1900 1900	1700 1900 12450	20	St	Y	Jul O	Jun	May E	Jul	385A 394A
	Other	10	See Footnote d				0	3	K-12	150	12450	15	-	-	-	-	May E	Jul	254 383A
	HONG KONG	76	WF WOF	a 35000 31100	35000 31100	31100 23400	0	3	K-6 7-8 9-12	4600 4750 5000	11300 11300 11300	0	St	Y	Mar	Jun	-	Mar	392A 395A
	HUNGARY																		
	Budapest	47	See Footnote d				0	2	K-8 9-12	4800 4800	4800 11600	0	St	Y	May E	Jun	-	May	393A 395B
	Other	22	See Footnote d				0	2	K-12	150	11600	10	-	-	-	-	Jul O	May	386A 395B

a Eff 2 16 86. b Eff 3 2 86
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CHANGE	1	ALLOWANCES 2	3				4	5	6			7	REPORTING SCHEDULE 8	9	10	11	12	13	14
	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	QUARTERS FAMILY STATUS	LOA Groups 2	3	4	POST ALLOW	TRANS ZONE	EDUCATION School School Grade	At Post	Away From	DIFF RATE %	AGENCY	Retail Price Schedule Type	Due	Educ. Review Report Due	Diff. Review Report Due	LOA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
	ICELAND																		
	Keflavik-Grindavik (10/1 - 4/30) (5/1 - 9/30)	36 48	WF WOF	6300 6300	6300 5600	5600 4500	0	1	K-12	4400	4400	10	Nav	-	-	Jun	Sep O	May	392B 399A
	Reykjavik (10/1 - 4/30) (5/1 - 9/30)	36 48	WF WOF	8400 7700	7400 5900	5900 5100	10	1	K-4 5-12	2550 5700	2550 12550	0	St	Y	May	Jun	-	May	385A 392B
	Other	10	See Footnote d				0	1	K-12	150	12550	10	-	-	-	-	Sep O	May	254 383A
	INDIA																		
	Bombay	78	See Footnote d				0	3	K-6 7-12	5500 300	11800 11800	20	St	W	Aug	Oct	Jan E	Aug	366B 399B
	Calcutta	60	See Footnote d				0	3	K-3 4-12	250 350	11800 11800	25	St	W	Aug	Oct	Jan E	Aug	366B 379A
	Madras	39	See Footnote d				0	3	K-3 4-6 7-12	600 600 150	600 11800 11800	20	St	W	Aug	Apr	Jan E	Aug	368B 397A
	New Delhi	56	See Footnote d				0	3	K-4 5-8 9-12	4650 4900 5300	4650 4900 5300	15	St	Y	Aug O	May	Jan E	Aug	392B 397A
	Other	10	See Footnote d				0	3	K-12	150	11800	25	-	-	-	-	Jan E	Aug	254 383A
	INDONESIA																		
	Banda Aceh	10	See Footnote d				0	3	K-5 6 7-12	2550 2550 150	2550 13900 13900	25	AID	W	Mar	Jun	Jun E	Mar	354A 383A
	Bandung	39	See Footnote d				0	3	K-8 9-12	2500 250	13900 13900	20	AID	W	Mar	Jun	Jun E	Mar	363A 374B
	Bogor	10	See Footnote d				0	3	K-6 7-12	3000 150	13900 13900	25	AID	-	-	Jun	Jun E	Mar	354A 383A
	Jakarta	64	See Footnote d				0	3	K-6 7-12	4600 5400	4600 5400	15	St	Y	Mar	Jun	Jun E	Mar	382B 395A
	Medan	39	See Footnote d				0	3	K-6 7-8 9-12	7700 7700 150	7700 13900 13900	20	St	W	Mar	Jun	Jun E	Mar	380B 391B

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C H A N G E	1	ALLOWANCES 2	3				4	5	6			7	REPORTING SCHEDULE 8	9	10	11	12	13	14
	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	T L A	QUARTERS				P O S T A L L O W	T R A N S Z O N E S	EDUCATION			D I F F R A T E %	A G E N C Y	Retail Price Schedule		Educ. Review Report Due	Diff Review Report Due	LOA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
			F A M I L Y S T A T U S	LOA Groups 2	3	4			School										
									School Grade	At Post	Away From			Type	Due				
	Semarang	29		See Footnote d			0	3	K-8 9-12	950 150	13900 13900	25	AID	W	Mar	Jun	Jun E	Mar	363A 374A
	Surabaya	60		See Footnote d			0	3	K-6 7 8-9 10-12	3350 3900 3900 150	3350 3900 13900 13900	20	St	W	Mar	Jun	Jun E	Mar	372B 381B
	Ujung Pandang	47		See Footnote d			0	3	K-12	1750	13900	25	AID	W	Mar	Jun	Jun E	Mar	359B 363A
	Other	10		See Footnote d			0	3	K-12	150	13900	25	-	-	-	-	Jun E	Mar	354A 383A
	IRAQ																		
b	Baghdad	89		See Footnote d			30b	3	K-9 10-12	3550 150	12000 12000	25	St	Y	Oct	Jun	Aug E	Oct	384B 400B
b	Other	10		See Footnote d			30b	3	K-12	150	12000	25	-	-	-	-	Aug E	Oct	383A 400B
	IRELAND																		
b c	Dublin	90c	WF WOF	a 8000 6300	7100 5800	5800 4900	5b	2	K-8 9-12	1200 1100	1200 1100	0	St	Y	Aug	Jun	-	Aug	400A 400B
b c	Other	59c		See Footnote d			5b	2	K-12	150	150	0	-	-	-	-	-	Aug	400A 400B
	ISRAEL																		
	Karmi'el	62	WF WOF	a 22000 17600	16000 13600	13600 10200	5	2	K-6 7-12	5100 5200	5100 5200	0	AF	W	May	Jun	-	May	398A
	Tel Aviv	62	WF WOF	a 22000 17600	16000 13600	13600 10200	5	2	K-6 7-12	5100 5200	5100 5200	0	St	Y	May	Jun	-	May	392B 393A
	Other	10		See Footnote d			0	2	K-12	150	12150	0	-	-	-	-	-	May	368A 383A
	ITALY																		
c	Avellino (incl. Mount Vergine)	26c	WF WOF	a 6100c 6000c	6800c 6400c	5500c 4600c	0	2	K-8 9-12	4400 150	4400 11100	0	AF	W	Mar	Jun	-	Feb	400A 400B
c	Brindisi (incl. San Vito dei Normanni AS)	28c	WF WOF	4300c 4300c	4300c 4300c	4000c 3500c	0	2	K-12	4400	4400	0	AF	W	Mar	Jun	-	Feb	400A 400B
c	Catania (incl. Sigonella)	40c	WF WOF	6500c 6200c	6500c 5800c	5000c 4200c	0	2	K-12	4400	4400	0	Nav	W	Mar	Jun	-	Feb	400A 400B

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		ALLOWANCES											REPORTING SCHEDULE						
	1	2	3				4	5	6			7	8	9	10	11	12	13	14
			QUARTERS						EDUCATION										
				LQA Groups					School					Retail Price Schedule					
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	2	3	4	POST ALLOW	TRANS ZONE	School Grade	At Post	Away From	DIFF RATE %	AGENCY	Type	Due	Educ. Review Report Due	Diff. Review Report Due	LQA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
	Rhodes (Island of)	21	See Footnote d				0	2	K-6 7-8 9-12	4250 4250 650	4250 11650 11650	0	USIA	W	Sep	Jun	-	Aug	355A 369B
	Souda Bay (Crete)	22	WF WOF	4800 4800	4800 4500	4500 4000	0	2	K-12	150	11650	10	AF	W	Sep	-	Aug E	Nov	392A 392B
	Thessaloniki (incl. Mt. Hortiatis)	30	WF WOF	e 11400 10100	11400 7900	10100 7600	0	2	K-12	2350	2350	0	St	W	Sep	Jun	-	Aug	392B 397A
	Other	10	See Footnote d				0	2	K-12	150	11650	0	-	-	-	-	-	Aug	26B 383A
b	GREENLAND	44b	See Footnote d				0	1	K-12	150	150	25	-	-	-	-	-	May	399A 400B
	GRENADA (5/1 - 11/30) (12/1 - 4/30)	64 88	See Footnote d				5	3	K-6 7-12	2100 1550	12850 12850	25	St	Y	Mar	May	Mar E	Jun	392A 392B
	GUATEMALA Guatemala City	52	WF WOF	11100 9800	10500 8500	9100 7500	0	2	K-3 4-6 7-9 10-12	1300 1350 1750 1800	1300 1350 1750 1800	15	St	Y	Jul	Jun	May 0	Jul	396B 398A
	Quezaltenango	18	WF WOF	7000 7000	7000 7000	6000 5000	0	2	K-6 7-12	550 600	550 600	15	AID	W	Jul	Jun	May 0	Jul	396A 398A
	Other	13	See Footnote d				0	2	K-12	150	11750	15	-	-	-	-	May 0	Jul	396A 398A
	GUINEA Conakry	75	See Footnote d				20	3	K-8 9-12	2350 150	14300 14300	25	St	Y	Sep	Jun	Dec E	Sep	399A 399B
	Other	10	See Footnote d				20	3	K-12	150	14300	25	-	-	-	-	Dec E	Sep	396B 399B
	GUINEA BISSAU [illegible]	60	See Footnote d				0	3	K-12	150	13400	25	St	Y	Sep	Jun	Aug E	Sep	396B 398B
	[illegible]	[illegible]	See Footnote d				0	3	K-12	150	13400	25		-	-	-	Aug E	Sep	383B 398B

	1	ALLOWANCES										7	REPORTING SCHEDULE						14
		2	3				4	5	6				8	9	10	11	12	13	
			QUARTERS						EDUCATION										
				LQA Groups					School										
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	2	3	4	POST ALLOW	TRANS ZONE	School Grade	At Post	Away From	DIFF RATE %	AGENCY	Retail Price Schedule Type	Due	Educ. Review Report Due	Diff. Review Report Due	LQA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
c	Florence	69c	See Footnote d				0	2	K-6 7-8 9-12	3900 4150 4650	3900 4150 4650	0	St	W	Mar	Jul	-	Feb	400A 400B
c	Gaeta	28c	WF WOF	6100c 5500c	6100c 4900c	4900c 3500c	0	2	K-8 9-12	4400 150	4400 11100	0	Nav	W	Mar	Jun	-	Feb	400A 400B
c	Genoa	62c	WF WOF	a 7700c 7700c	7700c 6000c	6000c 5700c	0	2	K-4 5-6 7-8 9-12	4000 4350 4350 150	4000 4350 11100 11100	0	St	Y	Mar	Jul	-	Feb	400A 400B
c	La Spezia	28c	WF WOF	11900c 8200c	8500c 6700c	6700c 5900c	0	2	K-5 6-12	150 150	150 11100	0	Nav	W	Mar	-	-	Feb	400A 400B
c	Leghorn (incl. Pisa)	28c	WF WOF	6300c 5800c	6300c 4400c	4800c 4200c	0	2	K-12	4400	4400	0	Ar	W	Mar	Jun	-	Feb	400A 400B
c	Martina Franca	26c	See Footnote d				0	2	K-5 6-12	150 150	150 11100	0	AF	W	Mar	Jul	-	Feb	400A 400B
a c	Milan	65c	WF WOF	12000c 11800c	12000c 9300c	9300c 8200c	10a	2	K-2 3-5 6-12	4800 5300 5800	4800 5300 5800	0	St	Y	Mar	Jun	-	Feb	400A 400B
c	Mount Mardello	26c	See Footnote d				0	2	K-5 6-12	150 150	150 11100	0	AF	W	Mar	-	-	Feb	400A 400B
b c	Naples	61c	WF WOF	10200c 8200c	8500c 8200c	7200c 6800c	0	2	K-12	4400	4400	0	St	W	Mar	Junb	-	Feb	400A 400B
c	Nettuno	26c	See Footnote d				0	2	K-8 9-12	150 150	150 11100	0	ABMC	-	-	Jun	-	Feb	400A 400B
a c	Palermo	42c	WF WOF	c 7000c 6500c	6500c 6000c	6000c 4400c	10a	2	K-5 6-8 9-12	1450 2050 2200	1450 11100 11100	0	St	Y	Mar	Jun	-	Feb	400A 400B
c	Pordenone-Aviano	26c	WF WOF	6200c 5500c	6200c 5200c	5500c 4800c	0	2	K-12	4400	4400	0	AF	W	Mar	Jun	-	Feb	400A 400B
c	Rimini	41c	WF WOF	c 5200c 4600c	5200c 4300c	4600c 3600c	0	2	K-8 9-12	4400 150	4400 11100	0	AF	W	Mar	Jun	-	Feb	400A 400B

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CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	LOA Groups 2	3	4	4 POST ALLOW	5 TRANS ZONES	6 EDUCATION School School Grade	At Post	Away From	7 DIFF RATE %	REPORTING SCHEDULE 8 AGENCY	9 Retail Price Schedule Type	10 Due	11 Educ. Review Report Due	12 Diff Review Report Due	13 LOA SF1190 Report Due	14 REF. TO Post CHANGES TL:SR NO.
a c	Rome	65c	WF WOF	11300c 10200c	10200c 8600c	8600c 6700c	5a	2	K-2 3-5 6-8 9-11 12	4850 5100 5850 6350 6550	4850 5100 5850 6350 6550	0	St	Y	Mar	Jun	-	Feb	400A 400B
c	Sardinia	61c	WF WOF	a 6000c 5500c	5900c 5500c	5500c 4000c	0	2	K-5 6-12	150 150	150 11100	0	Ar	W	Mar	-	-	Feb	400A 400B
c	Trieste	61c	WF WOF	a 7700c 7300c	7700c 6100c	6200c 5700c	0	2	K-5 6-8 9-12	3650 4000 150	3650 4000 11100	0	St	W	Mar	Jun	-	Feb	400A 400B
c	Turin	53c	See Footnote d				0	2	K-5 6-9 10-12	4400 4900 5200	4400 4900 11100	0	St	W	Mar	Jun	-	Feb	400A 400B
c	Verona	36c	WF WOF	a 5300c 5700c	5800c 5700c	5800c 3500c	0	2	K-12	4400	4400	0	Ar	W	Mar	Jun	-	Feb	400A 400B
c	Vicenza	32c	WF WOF	6000c 4900c	6000c 4900c	4300c 3700c	0	2	K-12	4400	4400	0	Ar	W	Mar	Jun	-	Feb	400A 400B
c	Other	26c	See Footnote d				0	2	K-5 6-12	150 150	150 11100	0	-	-	-	-	-	Feb	400A 400B
	IVORY COAST																		
b c	Abidjan	57c	See Footnote d				35b	3	K-5 6 7-8 9-12	3950 4550 4550 4600	3950 4550 13400 13400	15	St	Y	Sep	Jul	Nov 0	Sep	400A 400B
b c	Other	30c	See Footnote d				35b	3	K-6 7-12	150 150	150 13400	20	-	-	-	-	Nov 0	Sep	400A 400B
	JAMAICA																		
	Kingston	85	WF WOF	14500 13000	13000 12700	11100 9100	0	3	K-6 7-8 9-12	1000 1150 1200	1000 12000 12000	15	St	Y	Jun	Jun	Apr E	Jun	388B 393A
	Mandeville	24	See Footnote d				0	3	K-6 7-12	2550 3100	2550 12000	10	AID	W	Jun	Jun	Apr E	Jun	388B 393A
	Savanna-la-Mar	15	WF WOF	a 4600 4600	4600 4000	4000 4000	0	3	K-12	150	150	10	AID	W	Jun	Jun	Apr E	Jun	379B 386B
	Other	11	See Footnote d				0	3	K-6 7-12	150 150	150 12000	0	-	-	-	-	-	Jun	386A 393B

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		ALLOWANCES											REPORTING SCHEDULE						
	1	2	3				4	5	6			7	8	9	10	11	12	13	14
			QUARTERS						EDUCATION										
				LQA Groups					School										
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	2	3	4	POST ALLOW	TRANS ZONES	School Grade	At Post	Away From	DIFF RATE %	AGENCY	Retail Price Schedule Type	Due	Educ. Review Report Due	Diff. Review Report Due	LQA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
	JAPAN																		
a c	Akizuki	35c	WF WOF	6400c 6400c	6400c 6300c	6400c 6300c	25a	2	K-12	150	11500	0	Ar	W	Jan	Jun	-	Jan	400A 400B
a c	Fukuoka (incl. Itazuke)	76c	See Footnote d				50a	2	K-6 7-8 9 10-12	2900 3150 3150 3500	2900 3150 11500 11500	0	St	Y	Jan	Jun	-	Jan	400A 400B
a c	Gotemba	73c	WF e WOF	11900c 11900c	11900c 9400c	9400c 7800c	15a	2	K-12	150	11500	0	Nav	W	Jan	-	-	Jan	400A 400B
a c	Hiroshima	55c	See Footnote d				20a	2	K-6 7-8 9-12	5000 5000 150	5000 11500 11500	0	HHS	W	Jan	May	-	Jan	400A 400B
a c	Iwakuni	39c	WF WOF	8000c 8000c	8000c 6600c	8000c 6600c	15a	2	K-12	4400	4400	0	AF	W	Jan	Jun	-	Jan	400A 400B
a c	Kyoto	58c	See Footnote d				50a	2	K-8 9-12	2400 2400	2400 11500	0	USIA	W	Jan	Jun	-	Jan	400A 400B
a c	Misawa	46c	WF WOF	9800c 9800c	9800c 9300c	8700c 7000c	15a	2	K-12	4400	4400	0	AF	W	Jan	Jun	-	Jan	400A 400B
a c	Nagoya (incl. Gifu and Komaki)	58c	WF WOF	14900c 12100c	12100c 9400c	9400c 8000c	50a	2	K-6 7-8 9-12	3800 4100 4400	3800 4100 4400	0	USIA	W	Jan	Jun	-	Jan	400A 400B
a c	Okinawa Prefecture	72c	WF WOF	10200c 10200c	10200c 9100c	8300c 6800c	10a	3	K-12	4400	4400	10	St	Y	Jan	Jun	Jun 0	Jan	400A 400B
a c	Osaka-Kobe (incl. Akashi)	61c	See Footnote d				50a	2	K-5 6-12	5400a 6300a	5400a 6300a	0	St	Y	Jan	Jun	-	Jan	400A 400B
c	Sapporo	55c	WF e WOF	8800c 8400c	8800c 7200c	7200c 6900c	42c	2	K-9 10-12	2950 150	2950 11500	0	St	Y	Jan	Jun	-	Jan	400A 400B
a c	Sasebo	39c	WF e WOF	7900c 7200c	7900c 6400c	6400c 5500c	15a	2	K-12	4400	4400	0	AF	W	Jan	Jun	-	Jan	400A 400B
a c	Tokyo City	115c	WF WOF	28900c 28000c	28900c 20900c	20900c 18300c	15a	2	K-3 4-5 6-9 10-12	6650 6800 7050 6750	6650 6800 7050 6750	0	St	Y	Jan	Jun	-	Jan	400A 400B

CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	LOA Groups 2	LOA Groups 3	LOA Groups 4	4 POST ALLOW	5 TRANS ZONES	6 EDUCATION School Grade	School At Post	School Away From	7 DIFF RATE %	REPORTING SCHEDULE 8 AGENCY	9 Retail Price Schedule Type	10 Due	11 Educ Review Report Due	12 Diff. Review Report Due	13 LOA SF1190 Report Due	14 KEY TO PAST CHANGES TL:SR NO.
a c	Tokyo-To (incl Chiba-Ken, Haneda, Kanagawa-Ken, Saitama-Ken; excl Tokyo City, Yokohama, Yokosuka)	115c	WF WOF	9200c 9200c	8900c 7800c	8500c 7000c	15a	2	K-6 7-12	4850 5100	4850 5100	0	AF	-	-	Jun	-	Jan	400A 400B
a c	Tsukuba	40c	See Footnote d				42a	2	K-12	150	11500	0	USIA	W	Jan	-	-	Jan	400A 400B
a c	Yokohama	52c	WF WOF	12400c 11900c	11900c 9100c	9100c 8400c	15a	2	K-8 9-12	4650 4250	4650 4250	0	St	W	Jan	Jun	-	Jan	400A 400B
a c	Yokosuka	35c	WF WOF	10800c 9300c	9300c 8000c	8800c 7000c	15a	2	K-12	4400	4400	0	Nav	W	Jan	Jun	-	Jan	400A 400B
a c	Other	35c	See Footnote d				15a	2	K-12	150	11500	0	-	-	-	-	-	Jan	400A 400B
	JERUSALEM	51	WF WOF	22000 17600	16000 13600	13600 10200	5	2	K-3 4-6 7-8 9-12	3700 4050 4500 4600	12350 12350 12350 12350	0	St	W	May	Jun	-	May	393B 395A
	JORDAN Amman	50	See Footnote d				0	2	K-6 7-8 9-12	4150 4850 5600	4150 4850 12000	15	St	Y	May	Jun	Sep E	May	383A 399A
	Other	11	See Footnote d				0	2	K-12	150	12000	15	-	-	-	-	Sep E	May	383A 399A
	KENYA Kitui	17	See Footnote d				0	2	K-12	500	13950	15	AID	W	Jan	-	Nov O	Jan	385A 394B
	Mombasa (4/1 - 6/30) (7/1 - 11/30) (12/1 - 3/31)	 22 38 47	WF WOF	e 9600 9600	8100 8100	7700 7700	0	3	K-1 2-4 5-6 7-8 9-12	1400 1700 1850 2150 2150	1400 1700 1850 2150 13950	10	St	W	Jan	Sep	Nov O	Jan	393A 394B
	Nairobi (incl. Kahawa, Ruiru, Kibichiku, Kihara, Kikuyu, Kiambu, Thogoto, Wangige)	52	WF WOF	e 8900 8000	8000 6700	6700 5700	0	2	K-6 7-12	5550 6200	5550 6200	0	St	Y	Jan	Jun	-	Jan	394B 399A
	Njoro	17	See Footnote d				0	2	K-12	500	13950	10	AID	-	-	-	Nov O	Jan	360A 394B

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CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	LOA Groups 2	3	4	4 POST ALLOW	5 TRANS ZONES	6 EDUCATION School School Grade	At Post	Away From	7 DIFF RATE %	8 AGENCY	REPORTING SCHEDULE 9 Retail Price Schedule Type	10 Due	11 Educ. Review Report Due	12 Diff. Review Report Due	13 LQA SF1190 Report Due	14 KEY TO PAST CHANGES TL:SR NO.
	Other	17	See Footnote d				0	2	K-12	500	13950	10	-	-	-	-	Nov O	Jan	360A 394B
	KOREA																		
	Changwon	22	WF WOF	9900 9900	9900 9200	9200 6500	0	2	K-9 10-12	4400 4400	4400 11700	10	AF	W	Jun	-	Mar E	May	392B 395B
	Chinhae	22	WF WOF	7000 5600	7000 5600	5600 5000	0	2	K-9 10-12	4400 4400	4400 11700	10	AF	W	Jun	-	Mar E	May	387B 392B
b	Kwangju	22	WF WOF	6900 6200	6900 5600	5600 4500	0	2	K-6 7-12	3500 150	11700 11700	10	USIA	W	Jun	-	Mar E	May	397B 400B
	Osan AB (incl. Pyongtaek)	22	WF WOF	8600 8000	8600 7200	7400 7000	0	2	K-9 10-12	4400 4400	4400 11700	10	AF	-	-	Jun	Mar E	May	392B 395A
	Pusan	48	WF WOF	7000 6000	7000 6000	6000 5000	0	2	K-12	4400	4400	10	Ar	W	Jun	Jun	Mar E	May	395A 399A
	Seoul (incl ASCOM, Suwon, Kimpo Airfield, Camps Eiler, Mercer and Thompson)	58	WF WOF	12300 9800	11000 9600	9800 9200	0	2	K-12	4950	4950	0	St	Y	Jun	Jun	Mar E	May	392B 394A
	Taegu	33	WF WOF	7800 7400	7800 6400	7400 6300	0	2	K-12	4400	4400	10	Ar	W	Jun	Jun	Mar E	May	392B 399A
	Uijongbu	13	WF WOF	9300 8000	9300 7000	7000 6200	0	2	K-12	4400	4400	10	Ar	-	-	Jun	Mar E	May	383B 392B
	Other-S S of 37 deg 40' N Lat.	22	WF WOF	6900 6200	6900 5600	5600 4500	0	2	K-9 10-12	4400 4400	4400 11700	10	-	-	-	-	Mar E	May	392B 395A
	Other-N N of 37 deg 40' N Lat.	10	WF WOF	8400 8400	8400 7000	7000 5700	0	2	K-9 10-12	4400 4400	4400 11700	10	-	-	-	-	Mar E	May	392B 395A
	KUWAIT																		
	Kuwait (City)	101	WF WOF	c 14400 14100	14400 14100	10400 9500	20	3	K-5 6-8 9-12	4100 4700 4700	4100 4700 11950	25	St	Y	Nov	Jul	Sep O	Apr	393A 399B
	Other	10	See Footnote d				20	3	K-12	150	11950	25	-	-	-	-	Sep O	Apr	387A 399B
	LAOS																		
	Vientiane	18	See Footnote d				0	3	K-12	1200	13000	25	St	Y	Feb E	Jun	Oct O	Feb	362A 379A

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CHANGE	1	ALLOWANCES											7	REPORTING SCHEDULE						
		2	3 QUARTERS				4	5	6 EDUCATION				8	9	10	11	12	13	14
	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	LQA Groups 2	3	4	POST ALLOW	TRANS ZONES	School Grade	School At Post	Away From	DIFF RATE %	AGENCY	Retail Price Schedule Type	Due	[illegible] Review Report Due	Diff Review Report Due	[illegible] Report Due	[illegible] TL SR NO
	Other	10	See Footnote d				0	3	K-12	150	13000	25	-	-	-	-	Oct O	Feb	368A 383A
	LEBANON Beirut	33	See Footnote d				0	3	K-6 7-12	3700 4450	11650 a 11650	25 D	St	Y	May	Jul	Apr O	May	392A 395A
	Other	11	See Footnote d				0	3	K-12	150	11650 a	25 D	-	-	-	-	-	May	375A 392A
c	LESOTHO Maseru	35c	See Footnote d				0	2	K-6 7-8 9-12	2050 2050 2000	2050 15050 15050	10	St	Y	May O	Jun	Oct E	May	400A 400B
c	Other	14c	See Footnote d				0	2	K-6 7-12	150 150	150 15050	10	-	-	-	-	Oct E	May	400A 400B
	LIBERIA Monrovia (incl. Camp Schiefflin)	64	See Footnote d				25	3	K-6 7-12	5050 5750	5050 5750	25	St	Y	Jun	Jun	Nov E	Dec	392A 392B
	Other	10	See Footnote d				25	3	K-12	150	15000	25	-	-	-	-	Nov E	Dec	346A 383A
a c	LUXEMBOURG	55c	WF WOF	12900c 12700c	12900c 10400c	10400c 8700c	5a	2	K-6 7-8 9-12	4900 5850 5850	4900 5850 11100	0	St	Y	Feb	Jun	-	Feb	400A 400B
b	MADAGASCAR Antananarivo	47b	See Footnote d				0	2	K-5 6-8 9-12	2450 2450 650	2450 15350 15350	25	St	Y	Nov	Jun	Sep E	Nov	396A 400B
	Other	12	See Footnote d				0	2	K-5 6-12	150 150	150 15350	15	-	-	-	-	Sep E	Nov	393A 396A
	MALAWI Blantyre	40	See Footnote d				0	3	K-6 7-8 9-12	1500 2500 2500	1500 2500 15800	10	St	W	Nov	Jan	Nov O	Nov	396A 396B
	Lilongwe	40	See Footnote d				0	3	K-6 7 8-12	1400 2350 300	1400 2350 15800	10	St	Y	Nov	Jun	Nov O	Nov	396A 396B
	Other	18	See Footnote d				0	3	K-6 7-12	200 300	200 15800	10	-	-	-	-	Nov O	Nov	395B 396A

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CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	ALLOWANCES 3 QUARTERS FAMILY STATUS	3 QUARTERS LOA Groups 2	3 QUARTERS LOA Groups 3	3 QUARTERS LOA Groups 4	4 POST ALLOW	5 TRANS ZONES	6 EDUCATION School Grade	6 EDUCATION School At Post	6 EDUCATION School Away From	7 DIFF RATE %	8 AGENCY	REPORTING SCHEDULE 9 Retail Price Schedule Type	10 Retail Price Schedule Due	11 Educ Review Report Due	12 Diff Review Report Due	13 LOA SF1190 Report Due	14 REF. TO PAST CHANGES TL:SR NO.
	MALAYSIA																		
a	Kota Kinabalu, Sabah	66	See Footnote d				5a	3	K-12	300	12950	15	PC	W	Mar	Oct	-	Mar	397A 400A
a	Kuala Lumpur	61	WF WOF	c 8900 8100	8100 6500	6500 5300	10a	3	K-2 3-5 6-12	4550 4800 5400	4550 4800 5400	10	St	Y	Mar	Jun	Jun 0	Mar	397A 400A
a	Other	11	See Footnote d				5a	3	K-12	300	12950	15	-	-	-	-	Jun 0	Mar	397A 400A
	MALI																		
a c	Bamako	67c	See Footnote d				25a	3	K-6 7-8 9-12	3900 3900 2100	3900 13200 13200	25	St	Y	Sep	Jun	Dec E	Sep	400A 400B
a c	Other	23c	See Footnote d				25a	3	K-12	150	13200	25	-	-	-	-	Dec E	Sep	400A 400B
c	MALTA (11/1 - 3/31) (4/1 - 10/31)	56c 62c	WF WOF	8400c 8400c	8400c 7100c	7500c 7100c	0	2	K-12	4600	11250	15	St	Y	Oct	Jun	-	Oct	400A 400B
	MAURITANIA																		
	Nouakchott	32	See Footnote d				10	3	K-6 7-8 9-12	4600 4600 250	4600 13150 13150	25	St	Y	Nov	Jul	Dec E	Sep	395B 398B
	Other	12	See Footnote d				10	3	K-12	150	13150	25	-	-	-	-	Dec E	Sep	393A 395B
b	MAURITIUS	48b	See Footnote d				0	3	K-5 6-8 9-12	3950 3950 500	3950 16150 16150	10	St	Y	Nov	Oct	Aug E	Nov	395B 400B
	MEXICO																		
	Chihuahua	18	See Footnote d				0	2	K-8 9-12	350 700	350 11400	0	Com	W	Apr	Jun	-	Apr	348A 354B
	Ciudad Juarez	26	WF WOF	c 9600 9600	9600 7700	7700 6200	0	2	K-12	2500	2500	0	St	W	Apr	Jun	-	Apr	373A 381A
	Coatzacoalcos	41	WF WOF	c 8000 8000	8000 6400	6400 5200	0	3	K-6 7-12	650 150	650 11400	0	DOD	W	Apr	Jun	-	Apr	385B 390B
	Empalme	18	WF WOF	c 5600 5000	5000 4000	4000 3500	0	3	K-5 6-12	600 600	600 11400	0	Com	-	-	Jun	-	Apr	354B 360A

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CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	LQA Groups 2	3	4	4 POST ALLOW	5 TRANS ZONE	6 EDUCATION School Grade	School At Post	School Away From	7 DIFF RATE %	REPORTING SCHEDULE 8 AGENCY	9 Retail Price Schedule Type	10 Due	11 Educ. Review Report Due	12 Diff. Review Report Due	13 LQA SF1190 Report Due	14 KEY TO PAST CHANGES TL:SR NO.
	Guadalajara	31	WF WOF	a 8000 8000	8000 6600	6600 5200	0	2	K-6 7-8 9-12	1850 2000 2250	1850 2000 2250	0	St	W	Apr	Jun	-	Apr	360A 389A
	Hermosillo	31	WF WOF	a 4000 4000	4000 3200	3200 3000	0	3	K-6 7-12	900 250	900 11400	0	St	W	Apr	Jun	-	Apr	387A 399A
	Matamoros	30	See Footnote d				0	3	K-12	450	450	0	St	W	Apr	Jun	-	Apr	354B 373A
	Mazatlan	41	WF WOF	a 6500 6500	6500 5200	5200 4500	0	3	K-5 6 7-12	750 750 350	750 11400 11400	0	St	W	Apr	Jun	-	Apr	373A 385A
b	Merida	37	WF WOF	a 8100 8100	8100 6500	6500 5300	0	3	K-3 4-12	500b 500b	500b 11400	10	St	W	Apr	Jun	Sep E	Apr	387A 400B
	Mexico, D.F.	46	WF WOF	15300 12100	14200 9700	10600 8300	0	2	K-1 2 3-5 6-8 9-12	2450 2700 3100 3300 3550	2450 2700 3100 3300 3550	10	St	Y	Apr E	Jun	-	Apr	395B 399A
	Monterrey	52	WF WOF	12000 9000	10800 8100	7800 7000	0	3	K-2 3-4 5-6 7-9 10-12	1600 1700 1750 1950 2250	1600 1700 1750 1950 2250	0	St	W	Apr	Jun	-	Apr	392A 399A
	Nuevo Laredo	37	See Footnote d				0	3	K-6 7-12	1100 1350	1100 1350	0	St	W	Apr	Jun	-	Apr	377A 399A
	Oaxaca	36	WF WOF	a 4000 4000	4000 3200	3200 3200	0	2	K-5 6-12	150 150	150 11400	10	Agr	W	Apr	Jun	Sep E	Apr	360A 386B
	Puebla	18	See Footnote d				0	2	K-6 7-9 10-12	550 750 800	550 750 800	0	Agr	W	Apr	Jun	-	Apr	348B 354B
	Saltillo	22	WF WOF	a 3500 3500	3500 3000	3000 2500	0	2	K-5 6-12	150 150	150 11400	0	Agr	W	Apr	Jun	-	Apr	354B 356B
	San Luis Potosi	18	WF WOF	a 3500 3500	3500 3000	3000 2500	0	2	K-5 6 7-12	350 350 150	350 11400 11400	0	Agr	W	Apr	Jun	-	Apr	356B 363A

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CHANGE	1	ALLOWANCES										7	REPORTING SCHEDULE						14
		2	3 QUARTERS				4	5	6 EDUCATION				8	9	10	11	12	13	
	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	LOA Groups 2	LOA Groups 3	LOA Groups 4	POST ALLOW	TRANS ZONE	School Grade	School At Post	School Away From	DIFF RATE %	AGENCY	Retail Price Schedule Type	Retail Price Schedule Due	Educ Review Report Due	Diff Review Report Due	LQA SF1190 Report Due	KEY TO PAST CHANGES TL SR NO.
	Tampico	23	WF WOF	a 3800 3800	3800 3200	3200 2600	0	3	K-4 5-10 11-12	650 700 300	650 700 11400	10	Agr	W	Apr	Jun	Sep E	Apr	356B 365B
	Tapachula (incl. Metapa)	21	WF WOF	a 4900 4900	4900 4000	4000 3300	0	2	K-6 7-12	800 150	800 11400	15	Agr	W	Apr	Jun	Sep E	Apr	387B 389B
	Tecoman	21	WF WOF	a 5500 5500	5500 4500	4500 4000	0	3	K-5 6-12	150 150	150 11400	0	Agr	W	Apr	Jun	-	Apr	370A 374B
	Tijuana	30	WF WOF	a 4600 4000	4000 3900	3600 2700	0	2	K-8 9-12	1850 2700	1850 2700	0	St	W	Apr	Jun	-	Apr	375A 393B
	Tuxpan, Veracruz	18	See Footnote d				0	3	K-5 6-12	150 150	150 11400	0	Agr	W	Apr	Jun	-	Apr	348B 354B
	Tuxtla Gutierrez	18	WF WOF	6000 6000	6000 4900	4900 4000	0	3	K-5 6-12	150 150	150 11400	15	Agr	W	Apr	Jun	Sep E	Apr	360A 378A
	Veracruz	18	WF WOF	a 7000 7000	7000 6600	6600 4500	0	3	K-5 6-8 9-12	350 350 400	350 11400 11400	0	Agr	W	Apr	Jun	-	Apr	373B 383B
	Other	18	See Footnote d				0	2	K-5 6-12	150 150	150 11400	0	-	-	-	-	-	Apr	348B 354B
	MOROCCO																		
	Casablanca	28	See Footnote d				0	2	K-5 6-8 9-12	2350 2550 3400	2350 2550 11250	0	St	Y	Mar	Jun	-	Mar	380A 393A
	Marrakech	25	See Footnote d				0	2	K-12	150	11250	0	USIA	W	Mar	-	-	Mar	391A 393A
	Rabat (incl. Sale)	21	See Footnote d				0	2	K-6 7-8 9-12	4400 4950 4950	4400 4950 11250	0	St	W	Mar	Jun	-	Mar	379A 393A
	Tangier	21	See Footnote d				0	2	K-6 7-8 9-12	3800 4150 4550	11250 11250 11250	0	St	W	Mar	Jun	-	Mar	390A 393A
	Other	21	See Footnote d				0	2	K-12	150	11250	0	-	-	-	-	-	Mar	388A 393A
	MOZAMBIQUE																		
	Maputo	38	See Footnote d				10	3	K-7 8-12	1200 400	15600 15600	25	St	Y	Jun	Nov	Oct E	Jun	357B 381B

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	1	2	3				4	5	6			7	8	9	10	11	12	13	14
		ALLOWANCES											REPORTING SCHEDULE						
			QUARTERS						EDUCATION										
				LOA Groups					School					Retail Price Schedule					
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	2	3	4	POST ALLOW	TRANS ZONE	School Grade	At Post	Away From	DIFF RATE %	AGENCY	Type	Due	Educ. Review Report Due	Diff. Review Report Due	LQA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
	Other	10	See Footnote d				10	3	K-12	150	15600	15	-	-	-	-	Oct E	Jun	347B 383A
c	NAMIBIA Windhoek	36c	See Footnote d				0	2	K-12	150	15300	10	St	W	Nov	-	-	Nov	400A 400B
c	Other	14c	See Footnote d				0	2	K-12	150	15300	10	-	-	-	-	-	Nov	400A 400B
	NEPAL Kathmandu	40	See Footnote d				0	2	K-5 6-8 9 10-12	4200 4650 4650 4800	4200 4650 12550 12550	20	St	Y	Aug D	May	Feb E	Aug	379B 393A
	Other	10	See Footnote d				0	3	K-12	150	12550	25	-	-	-	-	Feb E	Aug	255 383A
b c	NETHERLANDS Amsterdam (incl. Schiphol)	45c	WF e WOF	13900c 13900c	13900c 10600c	10100c 8800c	15b	2	K-6 7-8 9-12	4700 5400 5550	4700 5400 5550	0	St	W	Feb	Jun	-	Feb	400A 400B
b c	Brunssum	27c	WF WOF	7900c 7800c	7900c 7700c	7800c 7700c	5b	2	K-12	4400	4400	0	Ar	Y	Feb	Jun	-	Feb	400A 400B
b c	Hague, The (incl. Ypenburg)	50c	WF WOF	16900c 13700c	14600c 11600c	12000c 9500c	15b	2	K-4 5-8 9-12	4400 5100 5350	4400 5100 5350	0	St	Y	Feb	Jun	-	Feb	400A 400B
b c	Margraten	27c	See Footnote d				5b	2	K-12	4500	4500	0	ABMC	-	-	Jun	-	Feb	400A 400B
b c	Rotterdam (incl. Papendrecht)	41c	WF e WOF	12600c 10300c	11500c 10300c	9500c 9500c	15b	2	K-3 4-5 6-8 9-12	4900 5250 5650 5350	4900 5250 5650 11050	0	St	W	Feb	Jun	-	Feb	400A 400B
b c	Soesterberg	41c	WF WOF	7800c 7800c	7800c 7200c	7800c 5700c	5b	2	K-9 10-12	4400 150	4400 11050	0	AF	Y	Feb	Jun	-	Feb	400A 400B
b c	Wageningen	25c	WF WOF	13000c 12200c	12200c 9700c	9700c 7900c	5b	2	K-8 9-12	150 150	150 11050	0	Agr	W	Feb	-	-	Feb	400A 400B
b c	Other	25c	WF e WOF	6100c 6100c	6100c 5700c	5700c 4600c	5b	2	K-8 9-12	150 150	150 11050	0	-	-	-	-	-	Feb	400A 400B

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		ALLOWANCES											REPORTING SCHEDULE						
	1	2	3				4	5	6			7	8	9	10	11	12	13	14
			QUARTERS						EDUCATION										
				LQA Groups						School									
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	2	3	4	POST ALLOW	TRANS ZONE	School Grade	At Post	Away From	DIFF DRATE %	AGENCY	Retail Price Schedule Type	Retail Price Schedule Due	Educ. Review Report Due	Diff. Review Report Due	LQA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
	NETHERLANDS ANTILLES																		
	Aruba (5/1 - 12/14) (12/15 - 4/30)	63 92	WF WOF	c 10200 9000	10200 7600	7600 6600	15	3	K-8 9-12	150 150	150 12150	0	DOD	W	Mar	Jun	-	Mar	371A 391B
	Curacao (5/1 - 12/14) (12/15 - 4/30)	57 78	WF WOF	c 21000 21000	21000 20200	19500 18000	15	3	K-5 6-8 9 10-12	3200 3550 3550 150	3200 3550 12150 12150	0	St	Y	Mar	Jun	-	Mar	390A 391B
	Other	10	See Footnote d				15	3	K-8 9-12	150 150	150 12150	0	-	-	-	-	-	Mar	383A 391B
	NEW ZEALAND																		
b	Auckland	51b	See Footnote d				0	2	K-7 8 9-12	1150 1450 1450	1150 1450 14600	0	St	W	Oct	Oct	-	Oct	399B 400B
b	Blenheim	25b	WF WOF	c 6200b 5800b	5800b 4600b	4600b 4100b	0	2	K-8 9-12	150 150	150 14600	0	Nav	W	Oct	-	-	Oct	399B 400B
b	Christchurch	37b	WF WOF	c 4200b 3800b	3800b 3000b	3000b 2600b	0	2	K-8 9-12	150 150	150 14600	0	Nav	W	Oct	-	-	Oct	399B 400B
b	Wellington	48b	See Footnote d				0	2	K-1 2-3 4-5 6-7 8 9 10-12	2100 2250 2400 2650 2750 2750 2800	2100 2250 2400 2650 2750 14600 14600	0	St	Y	Oct O	Oct	-	Oct	399B 400B
b	Other	13b	See Footnote d				0	2	K-8 9-12	150 150	150 14600	0	-	-	-	-	-	Oct	399B 400B
	NICARAGUA																		
	Managua	69	WF WOF	c 7600 7600	7600 7000	7000 6000	0	3	K-6 7-8 9-12	1250 1300 1300	1250 1300 12500	25	St	Y	Jul E	May	Apr O	Jul	389B 395B
	Other	10	See Footnote d				0	3	K-8 9-12	150 150	150 12500	25	-	-	-	-	Apr O	Jul	349B 363A
	NIGER																		
c	Niamey	49c	See Footnote d				25	3	K-8 9-12	4200 5100	13400 13400	25	St	Y	Sep	Jun	Nov E	Sep	400A 400B

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CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	LQA Groups 2	LQA Groups 3	LQA Groups 4	4 POST ALLOW	5 TRANS ZONES	6 EDUCATION School Grade	School At Post	School Away From	7 DIFF RATE %	8 AGENCY	REPORTING SCHEDULES 9 Retail Price Schedule Type	10 Due	11 Educ. Review Report Due	12 Diff. Review Report Due	13 LQA SF1190 Report Due	14 KEY TO PAST CHANGES TL:SR NO.
c	Other	23c	See Footnote d				25	3	K-12	150	13400	25	-	-	-	-	Nov E	Sep	400A 400B
	NIGERIA																		
	Ibadan	65	See Footnote d				20	3	K-6 7-8 9-12	3700 3700 150	3700 12800 12800	25	USIA	W	Feb	Jul	Nov 0	Dec	395B 399A
	Kaduna	54	See Footnote d				20	3	K-3 4-8 9-12	1750 1750 150	1750 12800 12800	25	St	W	Feb	Jun	Nov 0	Dec	396B 399A
	Kano	62	See Footnote d				20	3	K-6 7-12	800 300	12800 12800	25	USIA	W	Feb	Jun	Nov 0	Dec	395B 399A
	Lagos	79	See Footnote d				20	3	K-9 10-12	6300 150	6300 12806	25	St	Y	Feb	Jun	Nov 0	Dec	395B 399A
	Other	10	See Footnote d				20	3	K-12	150	12800	25	-	-	-	-	Nov 0	Dec	395B 399A
	NORWAY																		
a b c	Oslo	61c	WF WOF	11600b 10500b	11600b 8800b	9200b 7500b	15a	1	K-10 11-12	4400 4400	4400 12000	0	St	Y	Oct	Jun	-	May	400A 400B
a c	Tromso	51c	See Footnote d				20a	1	K-12	150	12650	10	St	W	Oct	Jun	Mar 0	May	400A 400B
a c	Other	19c	See Footnote d				15a	1	K-8 9-12	150 150	150 12000	0	-	-	-	-	-	May	400A 400B
	OMAN																		
a	Muscat	94a	See Footnote d				10a	3	K-5 6-12	3500 5200	3500 12050	20	St	Y	Apr	Jun	Sep 0	Apr	394A 400A
a	Other	10	See Footnote d				10a	3	K-12	150	12050	25	-	-	-	-	Sep 0	Apr	394A 400A
	PAKISTAN																		
	Islamabad (incl. Rawalpindi)	55	See Footnote d				0	3	K-6 7-12	4400 4800	4400 4800	20	St	Y	Dec	Jun	Feb E	Dec	391B 394B
b	Karachi	47b	See Footnote d				0	3	K-12	4350	4350	20	St	Y	Dec	Jun	Feb E	Dec	394B 400B
	Lahore	40	See Footnote d				0	3	K-6 7-8 9-12	2500 3000 3000	2500 3000 12950	20	St	W	Dec	Jun	Feb E	Dec	360B 394B

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			ALLOWANCES											REPORTING SCHEDULE					
	1	2	3				4	5	6			7	8	9	10	11	12	13	*
			QUARTERS						EDUCATION										
				LOA Groups					School										
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	2	3	4	POST ALLOW	TRANS ZONES	School Grade	At Post	Away From	DIFF RATE %	AGENCY	Retail Price Schedule Type	Retail Price Schedule Due	Educ. Review Report Due	Diff Review Report Due	LOA SF1190 Report Due	REF TO PAST CHANGES TL:SR NO.
	Peshawar	38	See Footnote d				0	3	K-8 9-12	4150 200	12950 12950	25	St	W	Dec	Jun	Feb E	Dec	362B 389B
	Quetta	10	See Footnote d				0	2	K-12	150	12950	20	AID	W	Dec	-	Feb E	Dec	365A 383A
	Sargodha	10	See Footnote d				0	3	K-12	150	12950	20	AF	W	Dec	Jun	Feb E	Dec	373A 383A
	Other	10	See Footnote d				0	3	K-12	150	12950	25	-	-	-	-	Feb E	Dec	352B 383A
	PANAMA																		
	Canal Area (Pre Treaty) (See footnote s)	55	WF WOF	17600 16300	15900 12700	12700 10000	0	3	[b] K-12	4800	4800	0	-	-	-	Jun	-	-	395A 399A
	Panama City	55	WF WOF	17600 16300	15900 12700	12700 10000	0	3	[b] K-12	4800	4800	0	St	Y	Jul	Jun	-	Mar	395A 399A
	Other	17	See Footnote d				0	3	K-12	150	12850	15	-	-	-	-	Mar E	Mar	254 346B
	Other (Pre Treaty) (See footnote s)	17	WF WOF	6600 5500	5500 5500	4400 4400	0	3	[b] K-12	4800	4800	0	-	-	-	Jun	-	Mar	382B 392B
	PAPUA NEW GUINEA																		
a	Port Moresby	68[a]	See Footnote d				5[a]	3	K-6 7-8 9-12	1800 3100 3100	1800 3100 14100	25	St	Y	Oct	Jun	Dec E	Oct	397B 400A
a	Other .	10	See Footnote d				5[a]	3	K-8 9-12	200 300	200 14100	15	-	-	-	-	Dec E	Oct	397B 400A
	PARAGUAY																		
	Asuncion	34	WF WOF	10800 10800	10000 9300	9300 8100	0	3	K-7 8 9-12	2150 2500 2500	2150 2500 15000	10	St	Y	Dec	Apr	Oct O	Dec	374A 388A
	Other	10	See Footnote d				0	3	K-8 9-12	150 150	150 15000	15	-	-	-	-	Oct O	Dec	366B 383A
	PERU																		
	Arequipa	18	WF WOF	[g] 6500 6500	5600 5300	5300 4300	0	2	K-12	350	13850	15	AID	W	Dec	Feb	May O	Dec	391A 394B
	Cajamarca	10	See Footnote d				0	2	K-12	150	13850	20	AID	W	Dec	-	May O	Dec	381B 389B

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CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	LOA Groups 2	 3	 4	4 POST ALLOW	5 TRANS ZONES	6 EDUCATION School Grade	School At Post	 Away From	7 DIFF RATE %	8 AGENCY	9 Retail Price Schedule Type	10 Due	11 Educ Review Report Due	12 Diff Review Report Due	13 LOA SF1190 Report Due	14 KEY TO PAST CHANGES
	Chiclayo	10	See Footnote d				0	2	K-12	150	13850	20	AID	W	Dec	-	May 0	Dec	389B 392A
	Cuzco	43	WF WOF	e 7400 7400	7400 6000	6000 4900	0	2	K-12	150	13850	20	AID	W	Dec	-	May 0	Dec	389A 392A
	Huancayo	10	See Footnote d				0	2	K-12	150	13850	20	AID	W	Dec	-	May 0	Dec	381B 389B
	Iscozacin	10	See Footnote d				0	2	K-12	150	13850	25	AID	-	-	-	May 0	Dec	394A
	Lima	36	WF WOF	13400 10800	11400 9400	9700 8800	0	2	K-12	4050	4050	15	St	Y	Dec 0	Apr	May 0	Dec	374B 389B
	Piura	10	WF WOF	e 8400 8400	7000 5700	5700 4600	0	2	K-8 9-12	300 350	13850 13850	25	AID	W	Dec	Feb	May 0	Dec	389B 392A
	Puno	21	See Footnote d				0	2	K-12	150	13850	25	AID	W	Dec	-	May 0	Dec	389B 391A
	Tarapoto	10	See Footnote d				0	2	K-12	150	13850	25	AID	W	Dec	-	May 0	Dec	381B 389B
	Trujillo	17	See Footnote d				0	2	K-8 9-12	300 150	13850 13850	15	AID	W	Dec	Feb	May 0	Dec	392A 395A
	Tumbes	10	WF WOF	e 8800 8000	8800 8000	7100 5800	0	2	K-12	150	13850	25	AID	W	Dec	-	May 0	Dec	389B 393A
	Other	10	See Footnote d				0	2	K-12	150	13850	20	-	-	-	-	May 0	Dec	332A 389B
	PHILIPPINES Angeles (incl. Tinang)	23	WF WOF	6000 4700	4900 4200	4000 3500	0	3	K-12	4400	4400	10	AF	W	Dec	Jun	Dec 0	Dec	392B 399A
	Baguio City	33	WF WOF	e 5600 5600	5600 4000	4000 4000	0	3	K-3 4-6 7-8 9-12	1550 1700 2350 3000	1550 1700 2350 3000	10	USIA	W	Dec	May	Dec 0	Dec	394A 398B
	Cagayan de Oro	15	See Footnote d				0	3	K-12	150	11300	10	AID	-	-	Apr	Dec 0	Dec	370A 379A
	Camp O'Donnell	15	See Footnote d				0	3	K-8 9-12	150 150	150 11300	10	AF	-	-	-	Dec 0	Dec	370A 379A

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CHANGE	1	2	3				4	5	6			7	8	9	10	11	12	13	14
		ALLOWANCES											REPORTING SCHEDULE						
	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	QUARTERS				POST ALLOW	TRANS ZONES	EDUCATION			DIFF RATE %	AGENCY	Retail Price Schedule		Educ. Review Report Due	Diff. Review Report Due	LQA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
			FAMILY STATUS	LQA Groups					School										
				2	3	4			School Grade	At Post	Away From			Type	Due				
	Cebu	35	See Footnote d				0	3	K-5 6-7 8-12	500 550 700	500 550 11300	15	St	W	Dec	Mar	Dec 0	Dec	391B 399B
	Davao City	20	See Footnote d				0	3	K-6 7-12	300 150	300 11300	15	USIA	W	Dec	-	Dec 0	Dec	370A 379A
	Los Banos	15	See Footnote d				0	3	K-5 6-8 9-12	2400 2600 2650	2400 2600 11300	10	AID	-	-	Mar	Dec 0	Dec	370A 379A
	Manila (incl. Cavite)	48	WF WOF	g [illegible] 8300	8300 7500	7500 5800	0	3	K-5 6-12	3300 3950	3300 3950	10	St	Y	Dec E	Apr	Dec 0	Dec	385A 392B
	Naga City	15	See Footnote d				0	3	K-8 9-12	150 150	150 11300	25	AID	W	Dec	Mar	Dec 0	Dec	370A 379A
	San Fernando, La Union	15	See Footnote d				0	3	K-3 4-6 7-8 9-12	350 400 550 750	350 400 550 750	10	USIA	-	-	May	Dec 0	Dec	370A 379A
	San Miguel, Zambales	15	WF WOF	g 4800 4800	4800 4000	4000 4000	0	3	K-8 9-12	4400 250	4400 11300	10	Nav	-	-	Jun	Dec 0	Dec	391B 392B
	Subic Bay, (incl. Cubi Point)	28	WF WOF	4600 4600	4600 4400	3000 3000	0	3	K-12	4400	4400	10	Nav	W	Dec	Jun	Dec 0	Dec	389A 392B
	Other	15	WF WOF	g 5000 4500	4500 4000	4500 4000	0	3	K-8 9-12	150 150	150 11300	20	-	-	-	-	Dec 0	Dec	370A 379A
	POLAND																		
a	Krakow	36a	See Footnote d				0	2	K-8 9-12	3300 150	11700 11700	15	St	-	-	Jun	Jul 0	May	397B 400A
a	Poznan	33a	See Footnote d				0	2	K-8 9-12	3200 150	11700 11700	15	St	W	May	Jun	Jul 0	May	397B 400A
a	Warsaw	56a	See Footnote d				0	2	K-8 9-12	5000 2400	5000 11700	15	St	Y	May 0	Jun	Jul 0	May	397B 400A
a	Other	11a	See Footnote d				0	2	K-12	150	11700	10	-	-	-	-	Jul 0	May	391B 400A

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CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	LQA Groups 2	3	4	4 POST ALLOW	5 TRANS ZONE	6 EDUCATION School Grade	School At Post	Away From	7 DIFF RATE %	8 AGENCY	REPORTING SCHEDULE 9 Retail Price Schedule Type	10 Due	11 Educ Review Report Due	12 Diff Review Report Due	13 LQA Filing Report Due	14 [illegible] Post Changes TL SR NO.
	PORTUGAL Lisbon (incl. Alverca)	42	WF WOF	16100 12400	14200 9700	12400 8200	0	2	K-3 4-6 7-8 9-12	5150 5450 5800 5800	5150 5450 5800 11650	0	St	Y	Nov	Jun	-	Aug	397B 398A
	Oporto	37	See Footnote d				0	2	K-3 4-6 7-8 9-12	1300 1500 1500 1850	1300 1500 11650 11650	0	St	W	Nov	Jun	-	Aug	397A 399B
	Other	11	See Footnote d				0	2	K-12	200	11650	0	-	-	-	-	-	Aug	383A 395B
	QATAR Doha	83	See Footnote d				30	3	K-6 7-12	1950 3800	1950 11950	20	St	Y	Oct	Jun	Sep 0	Apr	372B 388A
	Other	21	See Footnote d				30	3	K-12	150	11950	25	-	-	-	-	Sep 0	Apr	333A 372B
	ROMANIA Bucharest	57	See Footnote d				15	2	K-8 9-12	5150 150	5150 11250	10	St	Y	May	Jun	Jul 0	May	395A 399B
	Other	10	See Footnote d				15	2	K-12	150	11250	15	-	-	-	-	Jul 0	May	395A 399B
c	RWANDA Kigali	45c	See Footnote d				10	2	K-12	2300	15000	25	St	Y	Jan	Jun	Nov 0	Jan	400A 400B
a	Other	31a	See Footnote d				10	3	K-12	150	15000	25	-	-	-	-	Nov 0	Jan	395B 400A
	SAINT CHRISTOPHER AND NEVIS (5/1 - 11/30) (12/1 - 4/30)	48 79	WF WOF	e 8300 7500	8300 6700	6700 5400	10	3	K-4 5-6 7-12	500 550 300	11950 11950 11950	10	AID	Y	Jun	May	Mar E	Jun	385A 386B
	SAINT HELENA	12	WF WOF	e 5000 4500	5000 4500	4300 4100	0	2	K-8 9-12	150 150	150 15600	20	DOD	W	Mar	Jun	Jan E	Mar	344B
	SAINT LUCIA (5/1 - 11/30) (12/1 - 4/30)	43 66	WF WOF	e 11400 10300	11400 9200	9200 7500	5	3	K-8 9-12	550 150	550 150	10	Lab	Y	Jun	Jun	Mar E	Jun	390B 398B

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		ALLOWANCES										REPORTING SCHEDULE						
	1	2	3				4	5	6			7	8	9	10	11	12	13	14
			QUARTERS						EDUCATION										
				LOA Groups					School					Retail Price Schedule					
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	2	3	4	POST ALLOW	TRANS ZONES	School Grade	At Post	Away From	DIFF RATE %	AGENCY	Type	Due	Educ. Review Report Due	Diff. Review Report Due	LOA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
	SAINT VINCENT AND THE GRENADINES																		
	(5/1 - 11/30) (12/1 - 4/30)	55 74	WF WOF	a 13300 12000	13300 10700	10700 8700	5	3	K-12	250	12800	10	AIB	Y	Mar	May	Mar E	Jun	390B 399A
	SAUDI ARABIA																		
	Dhahran Area (incl. Al-Khobar and Dammam)	79	WF WOF	a 10000 9000	9000 7200	7800 6900	5	3	K-9 10-12	4700 150	4700 11950	20	St	Y	Apr	Jun	Sep 0	Apr	374A 383A
	Hafar al Batin (incl. KKMC)	10	See Footnote d				5	3	K-12	150	11950	20	Ar	W	Apr	-	Sep 0	Apr	383A 392A
	Jeddah	70	WF WOF	a 10000 9000	9000 6300	6800 5000	10	3	K-9 10-12	8200 150	8200 11950	20	St	Y	Apr	Jun	Sep 0	Apr	381A 393A
	Jubail	69	See Footnote d				5	3	K-12	150	11950	20	Nav	W	Apr	-	Sep	Apr	347A 392A
	Khamis Mushayt	48	See Footnote d				5	2	K-12	150	11950	20	Ar	W	Apr	-	Sep 0	Apr	351A 392A
	Riyadh	88	WF WOF	a 12000 12000	12000 9000	9000 7400	5	3	K-8 9 10-12	4400 4400 150	4400 11950 11950	20	St	Y	Apr	Jul	Sep 0	Apr	390A 392A
	Tabuk	21	See Footnote d				5	3	K-12	150	11950	20	Ar	W	Apr	-	Sep 0	Apr	347A 392A
	Taif	113	WF WOF	a 12000 12000	12000 9000	9000 7400	5	3	K-12	150	11950	20	Ar	W	Apr	-	Sep 0	Apr	374B 392A
	Other	10	See Footnote d				5	3	K-12	150	11950	20	-	-	-	-	Sep 0	Apr	383A 392A
	SENEGAL																		
b c	Bakel	24c	See Footnote d				20b	3	K-12	150	13050	25	AID	-	-	-	Nov E	Sep	400A 400B
b c	Dakar	60b	WF WOF	12100c 12100c	12100c 9600c	9600c 7500c	20b	3	K-12	3700	13050	15	St	Y	Sep	Jul	Nov E	Sep	400A 400B
b c	Kaolack	25c	See Footnote d				20b	3	K-12	150	13050	20	AID	W	Sep	-	Nov E	Sep	400A 400B
b c	Mbar Toubab	24c	See Footnote d				20b	3	K-12	150	13050	25	AID	-	-	Jul	Nov E	Sep	400A 400B

a Eff 2 16 86 b Eff 3 2 86
c Please see Page 52

CHANGE	1	2	3				4	5	6			7	8	9	10	11	12	13	14
		ALLOWANCES											REPORTING SCHEDULE						
	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	QUARTERS				POST ALLOW	TRANS ZONE	EDUCATION			DIFF RATE %	AGENCY	Retail Price Schedule		Educ. Review Report Due	Diff. Review Report Due	LQA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
			FAMILY STATUS	LOA Groups 2	3	4			School Grade	School At Post	Away From			Type	Due				
b c	Ziguinchor	27c	See Footnote d				20b	3	K-10 11-12	750 150	13050 13050	25	AID	-	-	Jul	Nov E	Sep	400A 400B
b c	Other	24c	See Footnote d				20b	3	K-12	150	13050	15	-	-	-	-	Nov E	Sep	400A 400B
	SEYCHELLES (4/16 - 7/31) (8/1 - 8/31) (9/1 - 12/14) (12/15 - 4/15)	 60 81 60 81	See Footnote d				30	3	K-6 7-12	2100 150	15850 15850	20	St	Y	Jan	Jun	Jul E	Jan	397B 399B
	SIERRA LEONE Freetown	49	See Footnote d				0	3	K-5 6-8 9-12	3600 3600 150	3600 14950 14950	20	St	Y	May	Oct	Oct E	Dec	399A 399B
	Other	10	See Footnote d					3	K-12	150	14950	25	-	-	-	-	Oct E	Dec	383A 388A
	SINGAPORE	67	WF WDF	e 18400 18400	18400 16900	16900 16400	25		K-4 5-8 9-12	4400 4650 5500	4400 4650 5500	0	St	Y	Mar	Jun	-	Mar	398A 399B
	SOLOMON ISLANDS	40	See Footnote d				0	3	K-7 8-12	1400 150	15250 15250	25	PC	W	Nov	Nov	Dec E	Nov	380A 380B
	SOMALIA Mogadishu	30	See Footnote d				0	3	K-8 9-12	5400 3050	5400 14350	25	St	Y	Feb	Jun	Oct E	Feb	386A 391B
	Other	10	See Footnote d				0	3	K-12	150	14350	25	-	-	-	-	Oct E	Feb	383A 386A
c	SOUTH AFRICA Cape Town	45c	See Footnote d				0	2	K-8 9-12	1900 2350	14750 14750	0	St	W	Nov	Jul	-	Nov	400A 400B
c	Durban	42c	See Footnote d				0	3	K-8 9-12	1100 1350	14750 14750	0	St	W	Nov	Oct	-	Nov	400A 400B
c	Johannesburg	41c	See Footnote d				0	2	K-4 5-8 9-12	2600 3200 3800	■ 14750 ■ 14750 ■ 14750	0	St	Y	Nov	Jul	-	Nov	400A 400B
c	Pretoria	34c	See Footnote d				0	2	K-4 5-8 9-12	2600 2850 3250	■ 14750 ■ 14750 ■ 14750	0	St	W	Nov	Oct	-	Nov	400A 400B

a Eff 3 16 86 b Eff 3 2 86
c Please see Page 52

		ALLOWANCES											REPORTING SCHEDULE						
	1	2	3				4	5	6			7	8	9	10	11	12	13	14
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	QUARTERS				POST ALLOW	TRANS ZONE	EDUCATION			DIFF RATE %	AGENCY	Retail Price Schedule		Educ. Review Report Due	Diff. Review Report Due	LQA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
			FAMILY STATUS	LQA Groups					School										
				2	3	4			School Grade	At Post	Away From			Type	Due				
[c]	Other	14[c]	See Footnote d				0	2	K-12	150	14750	0	-	-	-	-	-	Nov	400A 400B
	SPAIN																		
[c]	Barcelona	39[c]	WF [a] WOF	12500[c] 12200[c]	12500[c] 9100[c]	9100[c] 8200[c]	0	2	K-3 4-5 6-8 9-12	2200 2350 2500 2750	2200 2350 2500 2750	0	St	Y	Feb	Jun	-	Oct	400A 400B
[c]	Bilbao	41[c]	WF [a] WOF	7100[c] 7100[c]	7100[c] 6000[c]	6000[c] 5100[c]	0	2	K-2 3-6 7-8 9-12	4450 6150 6750 6750	4450 6150 6750 11400	0	St	W	Feb	Jul	-	Oct	400A 400B
[c]	El Ferrol del Caudillo	15[c]	WF [a] WOF	4800[c] 4800[c]	4800[c] 3900[c]	3900[c] 3500[c]	0	2	K-12	150	11400	10	Nav	W	Feb	-	Jul O	Oct	400A 400B
[c]	Madrid	58[c]	WF WOF	13900[c] 11400[c]	11400[c] 9000[c]	9000[c] 7900[c]	0	2	K-3 4-6 7-12	4800 5400 6250	4800 5400 6250	0	St	Y	Feb	Jun	-	Oct	400A 400B
[c]	Rota	27[c]	WF WOF	5800[c] 5800[c]	5800[c] 4700[c]	4700[c] 4300[c]	0	2	K-12	4400	4400	0	Nav	W	Feb	Jun	-	Oct	400A 400B
[b] [c]	Seville (incl. Seville Province)	45[c]	WF [a] WOF	9700[c] 9700[c]	9700[c] 7200[c]	7200[c] 6300[c]	0	2	K-8 9-12	4400 850	4400 11400	0	St	W	Feb	Jun[b]	-	Oct	400A 400B
[c]	Torrejon AB	58[c]	WF WOF	11600[c] 8900[c]	8900[c] 7300[c]	7200[c] 6900[c]	0	2	K-12	4400	4400	0	AF	W	Feb	Jun	-	Oct	400A 400B
[c]	Zaragoza	24[c]	WF WOF	4300[c] 4300[c]	4300[c] 4300[c]	3900[c] 3100[c]	0	2	K-12	4400	4400	0	AF	W	Feb	Jun	-	Oct	400A 400B
[c]	Other	13[c]	See Footnote d				0	2	K-12	150	11400	0	-	-	-	-	-	Oct	400A 400B
	SRI LANKA																		
	Colombo	44	See Footnote d				0	3	K-4 5-8 9-12	3200 3200 3800	3200 11600 11600	20	St	Y	Feb	Jun	Dec E	Feb	389B 392A
	Other	37	See Footnote d				0	3	K-12	150	11600	25	-	-	-	-	Dec E	Feb	354A 386A
	SUDAN																		
	Juba	10	See Footnote d				5	3	K-8 9-12	3200 150	13500 13500	25	AID	W	Aug	May	Sep O	Apr	383B 398A

a Eff 2 16 86. b Eff 3 2-86
c Please see Page 52

		ALLOWANCES												REPORTING SCHEDULE						
	1	2	3				4	5	6			7	8	9	10	11	12	13	14
			QUARTERS						EDUCATION										
				LQA Groups					School										
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	2	3	4	POST ALLOW	TRANS ZONES	School Grade	At Post	Away From	DIFF RATE %	AGENCY	Retail Price Schedule Type	Retail Price Schedule Due	Educ. Review Report Due	Diff. Review Report Due	LQA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
	Khartoum	132	See Footnote d				5	3	K-8 9-10 11-12	4850 5150 150	4850 13500 13500	25	St	Y	Aug	Jun	Sep 0	Apr	398A 398B
	Other	10	See Footnote d				5	3	K-12	150	13500	25	-	-	-	-	Sep 0	Apr	383B 398A
	SURINAME Paramaribo	51	See Footnote d				10	3	K-8 9-12	3200 150	3200 13400	10	St	Y	Mar	Jun	Mar 0	Mar	391B 395B
	Other	10	See Footnote d				10	3	K-12	150	13400	15	-	-	-	-	Mar 0	Mar	383A 391B
c	SWAZILAND Mbabane	26c	See Footnote d				0	2	K-6 7 8-12	750 2000 2000	750 2000 15350	0	St	Y	May 0	Oct	-	May	400A 400B
c	Other	15c	See Footnote d				0	2	K-12	150	15350	0	-	-	-	-	-	May	400A 400B
a c	SWEDEN Goteborg	63c	See Footnote d				15a	1	K-6 7-8 9-12	1050 1050 450	1050 12250 12250	0	St	W	May	Jun	-	May	400A 400B
a b c	Stockholm	91c	WF WOF	12800b 10500b	11800b 10500b	10500b 7800b	15a	1	K-5 6-8 9 10-12	4650 5150 5350 1750	4650 5150 5350 12250	0	St	Y	May	Jun		May	400A 400B
a c	Other	17c	See Footnote d				10a	1	K-5 6-12	150 150	150 12250	0	-	-	-	-	-	May	400A 400B
c	SWITZERLAND Bern	48c	WF WOF	18400c 14700c	15600c 13700c	13300c 12500c	42c	2	K-5 6-8 9-12	5750 6200 6550	5750 6200 6550	0	St	W	Apr	Jun	-	Apr	400A 400B
c	Geneva	62c	WF WOF	23100c 17900c	19800c 17400c	17400c 14200c	42c	2	K-3 4-6 7-9 10-12	4600 4850 5750 6300	4600 4850 5750 6300	0	St	Y	Apr	Jun	-	Apr	400A 400B

CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	LQA Groups 2	3	4	4 POST ALLOW	5 TRANS ZONES	6 EDUCATION School School Grade	At Post	Away From	7 DIFF RATE %	REPORTING SCHEDULE 8 AGENCY	9 Retail Price Schedule Type	10 Due	11 Educ. Review Report Due	12 Diff. Review Report Due	13 LQA SF1190 Report Due	14 KEY TO PAST CHANGES TL:SR NO.
c	Lausanne	48c	WF g WOF	18400c 14700c	15600c 13700c	13300c 12500c	42c	2	K-8 9-12	150 150	150 11050	0	Nav	W	Apr	-	-	Apr	400A 400B
c	Morges	40c	See Footnote d				42c	2	K-3 4-6 7-9 10-12	4250 4450 5300 5700	11050 11050 11050 11050	0	Int	-	-	Jun	-	Apr	400A 400B
c	Zurich (incl. Baden)	73c	WF g WOF	17800c 13400c	16400c 13300c	13300c 11400c	42c	2	K-7 8-12	4750 6350	4750 6350	0	St	W	Apr	Jun	-	Apr	400A 400B
c	Other	29c	See Footnote d				42c	2	K-8 9-12	150 150	150 11050	0	-	-	-	-	-	Apr	400A 400B
	SYRIA Damascus	51	See Footnote d				0	2	K-6 7-9 10-12	4450 5100 150	4450 12000 12000	20	St	Y	Apr	Jun	Sep 0	Apr	393A 390B
	Other	10	See Footnote d				0	2	K-12	150	12000	25	-	-	-	-	Sep 0	Apr	334B 355B
a	TAIWAN Kaohsiung	43	See Footnote d				5a	3	K-5 6-8 9-12	1800 1900 150	1800 1900 11150	10	AIT	W	Mar	Jun	Jun 0	Mar	393B 400A
a	Taipei	63	See Footnote d				5a	3	K-6 7-12	4950 6150	4950 6150	10	AIT	Y	Mar	May	Jun 0	Mar	393B 400A
a	Other	10	See Footnote d				5a	2	K-12	150	11150	15	-	-	-	-	Jun 0	Mar	393B 400A
	TANZANIA Dabaga	21	See Footnote d				20	3	K-12	150	14650	25	AID	W	Jan	-	Nov 0	Jan	366A 386A
	Dar es Salaam	52	See Footnote d				20	3	K-3 4-6 7-11 12	3400 3850 4600 150	3400 3850 14650 14650	25	St	Y	Jan	Jun	Nov 0	Jan	389B 394B
	Kibaha	21	See Footnote d				20	3	K-3 4-6 7-10 11-12	2600 2900 3500 150	14650 14650 14650 14650	20	AID	W	Jan	Jun	Nov 0	Jan	366A 386A

a Eff. 2-16-86, b Eff. 3-2-86
[illegible]

CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	LQA Groups 2	LQA Groups 3	LQA Groups 4	4 POST ALLOW	5 TRANS ZONES	6 EDUCATION School Grade	School At Post	School Away From	7 DIFF RATE %	8 AGENCY	REPORTING SCHEDULE 9 Retail Price Schedule Type	10 Retail Price Schedule Due	11 Educ. Review Report Due	12 Diff. Review Report Due	13 LQA SF1190 Report Due	14 KEY TO PAST CHANGES TL:SR NO.
	Kibaya	21	See Footnote d				20	3	K-12	150	14650	25	AID	-	-	-	Nov 0	Jan	366A 386A
	Shinyanga	21	See Footnote d				20	3	K-12	150	14650	25	AID	-	-	-	Nov 0	Jan	366A 386A
	Tanga	23	See Footnote d				20	3	K-12	150	14650	15	AID	W	Jan	-	Nov 0	Jan	366A 386A
	Zanzibar	30	See Footnote d				20	3	K-12	150	14650	25	USIA	W	Jan	Oct	Nov 0	Jan	399B
	Other	21	See Footnote d				20	3	K-12	150	14650	20	-	-	-	-	Nov 0	Jan	366A 386A
	THAILAND Bangkok	46	WF WOF	10100 8300	8800 7200	7200 5800	0	3	K-6 7-8 9-12	3400 3900 4200	3400 3900 4200	10	St	Y	Feb	Jun	Oct 0	Feb	393A 393B
	Chiang Mai	30	See Footnote d				0	3	K-8 9-12	1800 150	1800 12400	15	St	W	Feb	Jun	Oct 0	Feb	371B 380A
	Khon Kaen	14	See Footnote d				0	3	K-12	1050	12400	20	Agr	W	Feb	Jun	Oct 0	Feb	395A
	Songkhla	19	See Footnote d				0	3	K-8 9-12	1050 150	12400 12400	25	St	W	Feb	Jun	Oct 0	Feb	362B 392B
	Udorn	14	See Footnote d				0	3	K-6 7-12	650 150	12400 12400	20	St	W	Feb	Jun	Oct 0	Feb	348A 393B
	Other	14	See Footnote d				0	3	K-12	150	12400	25	-	-	-	-	Oct 0	Feb	350B 393B
a c	TOGO Lome	63c	See Footnote d				5a	3	K-6 7-8 9-12	2750 2750 150	2750 13450 13450	20	St	Y	Sep	Jun	Nov E	Sep	400A 400B
a c	Other	25c	See Footnote d				5a	3	K-12	150	13450	25	-	-	-	-	Nov E	Sep	400A 400B
	TONGA Nukualofa	34	See Footnote d				0	3	K-12	150	16450	0	PC	W	Feb	-	-	Feb	353B 354B

[illegible]

		ALLOWANCES												REPORTING SCHEDULE					
	1	2	3				4	5	6			7	8	9	10	11	12	13	14
			QUARTERS						EDUCATION										
				LOA Groups					School					Retail Price Schedule					
CHANGE	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	2	3	4	POST ALLOW	TRANS ZONES	School Grade	At Post	Away From	DIFF RATE %	AGENCY	Type	Due	Educ. Review Report Due	Diff Review Report Due	LOA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
	Other	10	See Footnote d				0	3	K-12	150	16450	0	-	-	-	-	-	Feb	236 383A
	TRINIDAD AND TOBAGO																		
	Port of Spain	90	WF WOF	g 11800 9400	11100 8700	9300 8100	5	3	K-5 6 7-9 10-12	2900 3050 3050 1150	2900 3050 12450 12450	10	St	Y	Oct	Jun	Mar E	Oct	394A 399A
	Other	90	See Footnote d				5	3	K-6 7-12	200 200	200 12450	0	-	-	-	-	-	Oct	383A 399A
	TRUST TERR. OF THE PAC. I																		
	Koror	53	See Footnote d				0	3	K-8 9-12	250 350	14700 14700	15	Int	W	Nov	Jun	Jun E	Nov	374A 388B
	Kosrae	20	See Footnote d				0	3	K-12	200	14700	20	Int	W	Nov	-	Jun E	Nov	392B 396A
	Kwajalein	16	See Footnote d				0	3	K-12	400	14700	10	Ar	W	Nov	-	Jun E	Nov	355A 392B
	Majuro	44	See Footnote d				0	3	K-12	400	14700	15	Int	W	Nov	May	Jun E	Nov	374A 381A
	Pohnpei	36	See Footnote d				0	3	K-8 9-12	500 350	14700 14700	15	Int	W	Nov	Jun	Jun E	Nov	365A 374A
	Saipan	60	WF WOF	g 11000 10000	10000 9000	9000 8000	0	3	K-12	950	14700	15	Int	W	Nov	Jun	Jun E	Nov	378A 393A
	Yap	22	See Footnote d				0	3	K-8 9-12	250 200	14700 14700	10	Int	W	Nov	Jun	Jun E	Nov	350B 355A
	Other	14	See Footnote d				0	3	K-12	200	14700	15	-	-	-	-	Jun E	Nov	259 261
	TUNISIA																		
a	Carthage	52a	See Footnote d				0	2	K-8 9 10-12	5850 5850 1800	5850 10950 10950	0	ABMC	-	-	Jul	-	Mar	393A 400A
a	Tunis	52a	See Footnote d				0	2	K-8 9 10-12	5850 5850 1800	5850 10950 10950	0	St	Y	Mar	Jul	-	Mar	393A 400A
a	Other	24a	See Footnote d				0	2	K-12	150	10950	0	-	-	-	-	-	Mar	393A 400A

a Eff 2 16 86. b Eff 3 2 86
c Please see Page 52

C H A N G E	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	2 TLA	3 QUARTERS FAMILY STATUS	3 QUARTERS LQA Groups 2	3 QUARTERS LQA Groups 3	3 QUARTERS LQA Groups 4	4 POST ALLOW	5 TRANS ZONES	6 EDUCATION School Grade	6 EDUCATION School At Post	6 EDUCATION School Away From	7 DIFF RATE %	8 AGENCY	9 Retail Price Schedule Type	10 Retail Price Schedule Due	11 Educ. Review Report Due	12 Diff. Review Report Due	13 LQA SF1190 Report Due	14 KEY TO PAST CHANGES TL:SR NO.
	TURKEY																		
b	Adana-Incirlik (incl. Karatas)	41b	WF WOF	4400 4400	4400 3900	3500 3500	0	2	K-12	4400	4400	10	St	W	Feb	Jun	Aug 0	Oct	392B 400B
a b	Ankara (incl. Elmadag and Manzarali)	44b	WF WOF	5600a 4800a	5600a 4800a	4800a 4600a	0	2	K-12	4400	4400	10	St	W	Feb	Jun	Aug 0	Oct	400A 400B
	Diyarbakir-Pirinclik	10	See Footnote d				0	2	K-12	150	12350	15	AF	-	-	-	Aug 0	Oct	365B 390B
	Istanbul (incl. Camakli)	40	WF WOF	g 7600 6200	7600 5300	5300 4700	0	2	K-8 9 10-12	4800 4800 150	4800 12350 12350	10	St	Y	Feb	Jun	Aug 0	Oct	392B 396A
	Izmir-Cigli (incl. Yamanlar)	37	WF WOF	4500 4500	4500 4500	3300 3100	0	2	K-12	4400	4400	10	St	W	Feb	Jun	Aug 0	Oct	390B 392B
	Other	10	See Footnote d				0	2	K-12	150	12350	15	-	-	-	-	Aug 0	Oct	319B 383A
	UGANDA																		
	Kampala	45	See Footnote d				10	3	K-8 9-12	2550 1300	16050 g 16050	25	St	Y	Aug	Jun	Nov 0	Jan	391A 396A
	Other	28	See Footnote d				10	3	K-12	150	16050 g	2[illegible]	-	-	-	Jun	Nov 0	Jan	369A 391A
	UNION OF SOV. SOC. REPS.																		
b c	Leningrad	k 77b	See Footnote d				20c	1	K-8 9-12	10200 150	12700 12700	20	St	Y	Octb	Jun	Jul 0	Oct	400A 400B
a b	Moscow	k 77b	See Footnote d				10a	1	K-8 9-12	5150 5150	5150 12700	20	St	Y	Oct	Jun	Jul 0	Oct	400A 400B
a	Other	k 15	See Footnote d				10a	1	K-12	150	12700	20	-	-	-	-	Jul 0	Oct	393A 400A
	UNITED ARAB EMIRATES																		
	Abu Dhabi	109	See Footnote d				25	3	K-9 10-12	4750 4950	4750 11950	15	St	Y	Apr	Jun	Sep 0	Apr	395A 396B
b	Dubai	70	See Footnote d				25	3	K-9 10-12	8850b 150	8850b 11950	10	St	W	Apr	Jun	Sep 0	Apr	399B 400B
	Other	10	See Footnote d				25	3	K-12	150	11950	20	-	-	-	-	Sep 0	Apr	383A 396B

CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	LQA Groups 2	3	4	4 POST ALLOW	5 TRANS ZONE	6 EDUCATION School Grade	School At Post	School Away From	7 DIFF %	REPORTING SCHEDULE 8 AGENCY	9 Retail Price Schedule Type	10 Due	11 Educ Review Report Due	12 Diff Review Report Due	13 LQA SF1190 Report Due	14 REV TO POST CHANGES TL:SR NO.
	UNITED KINGDOM																		
c	Bath	46c	WF WOF	a 5900c 5700c	5900c 5700c	5700c 5700c	0	2	K-12	100	150	0	Nav	W	Apr	-	-	Apr	400A 400B
c	Belfast	63c	See Footnote d				0	2	K-8 9-12	850 1300	850 1300	15	SX	Y	Apr	May	-	Apr	400A 400B
c	Bristol	50c	WF WOF	a 6400c 5700c	6400c 5700c	4400c 4200c	0	2	K-12	150	150	0	AF	W	Apr	May	-	Apr	400A 400B
c	Cambridge	46c	WF WOF	a 4100c 4100c	4100c 4100c	4100c 4100c	0	2	K-12	500	500	0	ABMC	-	-	Jun	-	Apr	400A 400B
c	Caversham (incl. Reading)	58c	See Footnote d				0	2	K-12	4400	4400	0	FBIS	W	Apr	Apr	-	Apr	400A 400B
c	Cheltenham	41c	WF WOF	5300c 5300c	4800c 4500c	4100c 4000c	0	2	K-12	250	250	0	AF	Y	Apr	-	-	Apr	400A 400B
c	Chicksands	45c	WF WOF	6900c 5500c	6300c 4600c	4600c 4400c	0	2	K-12	4400	4400	0	DOD	W	Apr	Jun	-	Apr	400A 400B
c	Dunstable	46c	WF WOF	a 7600c 7100c	7100c 6000c	4800c 4500c	0	2	K-12	3160	3160	0	Nav	W	Apr	Jun	-	Apr	400A 400B
c	Edinburgh	58c	See Footnote d				0	2	K-2 3-6 7-8 9-12	2250 2500 2750 3300	2250 2500 2750 3300	0	St	W	Apr	Jun	-	Apr	400A 400B
c	Edzell	30c	WF WOF	a 5900c 5500c	5900c 4100c	4100c 4000c	0	2	K-8 9-12	4400 150	4400 150	0	Nav	W	Apr	Jun	-	Apr	400A 400B
c	Fairford (incl. Kemble)	56c	WF WOF	5900c 5900c	5900c 4700c	4700c 4100c	0	2	K-12	150	150	0	AF	W	Apr	Jun	-	Apr	400A 400B
c	Felixstowe	33c	See Footnote d				0	2	K-12	4400	4400	0	AF	W	Apr	Jun	-	Apr	400A 400B
c	Glasgow	52c	WF WOF	a 4800c 4700c	4700c 4200c	4600c 4200c	0	2	K-12	150	150	0	Nav	W	Apr	-	-	Apr	400A 400B
c	Harrogate	33c	WF WOF	5500c 4600c	5300c 4200c	4200c 4100c	0	2	K-8 9-12	4400 150	4400 150	0	DOD	W	Apr	Jun	-	Apr	400A 400B

a Eff. 2-16-86, b Eff. 3-2-86
c Please see Page 52

CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	LQA Groups 2	3	4	4 POST ALLOW	5 TRANS ZONE	6 EDUCATION School Grade	School At Post	Away From	7 DIFF RATE %	8 AGENCY	REPORTING SCHEDULE 9 Retail Price Schedule Type	10 Due	11 Educ. Review Report Due	12 Diff. Review Report Due	13 LQA SF1190 Report Due	14 KEY TO PAST CHANGES TL:SR NO.
c	High Wycombe	57c	WF WOF	14600c 11300c	11300c 8900c	9000c 8900c	0	2	K-12	4400	4400	0	AF	W	Apr	Jun	-	Apr	400A 400B
c	Hythe	33c	WF WOF	e 4600c 4200c	4600c 4100c	4100c 4000c	0	2	K-12	150	150	0	Ar	W	Apr	-	-	Apr	400A 400B
c	Lakenheath (incl. Mildenhall)	34c	WF WOF	5500c 4700c	5500c 4500c	4700c 4100c	0	2	K-12	4400	4400	0	AF	W	Apr	Jun	-	Apr	400A 400B
c	London (Greater London Area)	76c	WF WOF	15900c 13800c	13200c 9600c	9500c 9000c	0	2	K-4 5-8 9-12	6350 6850 7200	6350 6850 7200	0	St	Y	Apr	Jun	-	Apr	400A 400B
c	Oxfordshire	45c	WF WOF	6200c 6200c	6200c 5000c	5400c 4600c	0	2	K-12	4400	4400	0	AF	W	Apr	Jun	-	Apr	400A 400B
c	Welford (incl. Greenham Common)	39c	WF WOF	e 8400c 8400c	8400c 7300c	7300c 6900c	0	2	K-8 9-12	4400 150	4400 150	0	AF	W	Apr	Jun	-	Apr	400A 400B
c	West Byfleet	33c	WF WOF	14500c 14500c	12400c 8900c	8100c 8100c	0	2	K-12	150	150	0	Ar	W	Apr	-	-	Apr	400A 400B
c	Wethersfield	33c	WF WOF	5900c 5700c	5900c 4800c	4700c 4200c	0	2	K-8 9-12	4400 150	4400 150	0	AF	W	Apr	Jun	-	Apr	400A 400B
c	Woodbridge (incl Bentwaters and Martlesham Heath)	51c	WF WOF	6000c 6000c	6000c 4800c	4800c 4400c	0	2	K-12	4400	4400	0	AF	W	Apr	Jun	-	Apr	400A 400B
c	Other	33c	WF WOF	6000c 6000c	6000c 4900c	4700c 4200c	0	2	K-12	150	150	0	-	-	-	-	-	Apr	400A 400B
	URUGUAY Montevideo	33	WF WOF	15900 12000	14800 12600	13100 11000	0	2	K-6 7-12	2300 3700	2300 3700	0	St	Y	Jan	May	-	Jan	380B 392A
	Other	10	See Footnote g				0	2	K-12	150	14900	0	-	-	-	-	-	Jan	360B 383A
c	VENEZUELA Caracas	35c	WF WOF	7500c 7500c	7500c 6100c	6100c 5000c	0	3	K-9 10-12	3100 4100	3100 4100	0	St	Y	Aug	Jun	-	Aug	400A 400B
c	Maracaibo	30c	WF WOF	e 4000c 4000c	4000c 3500c	3500c 2900c	0	3	K-6 7-8 9-12	1900 2300 2550	1900 2300 2550	10	St	W	Aug	Jun	Apr E	Aug	400A 400B

a Eff 2 16 86 b Eff 3 2 86
c Please see Page 52

CHANGE	1 INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	ALLOWANCES 2 TLA	3 QUARTERS FAMILY STATUS	LQA Groups 2	3	4	4 POST ALLOW	5 TRANS ZONE	6 EDUCATION School Grade	School At Post	Away From	7 DIFF RATE %	REPORTING SCHEDULE 8 AGENCY	9 Retail Price Schedule Type	10 Due	11 Educ. Review Report Due	12 Diff. Review Report Due	13 LQA SF1190 Report Due	14 KEY TO PAST CHANGES TL:SR NO.
a	Other	10a		See Footnote d			0	3	K-8 9-12	150 150	150 11500	10	-	-	-	-	Apr E	Aug	394B 400A
	WESTERN SAMOA	39		See Footnote d			0	3	K-8 9-12	250 350	250 15550	15	PC	W	Jun	Oct	Mar O	Jan	381B 383A
	YEMEN ARAB REPUBLIC Sanaa	40		See Footnote d			0	2	K-6 7-12	7050 7050	7050 12050	25	St	Y	Apr	Jun	Oct E	Apr	394B 399A
	Other	10		See Footnote d			0	2	K-12	150	12050	25	-	-	-	-	Oct E	Apr	388A 398A
	YUGOSLAVIA Belgrade	45		See Footnote d			0	2	K-8 9-12	4900 150	4900 11500	0	St	Y	May E	Jun	-	May	392B 399B
b	Ljubljana	27b		See Footnote d			0	2	K-12	150	11500	0	USIA	W	May	Jun	-	May	346A 400B
b	Skopje	27b		See Footnote d			0	2	K-12	150	11500	0	USIA	W	May	Jun	-	May	346A 400B
	Titograd	27		See Footnote d			0	2	K-12	150	11500	10	USIA	W	May	Jun	Jul O	May	393B
b	Zagreb	42b		See Footnote d			0	2	K-8 9-12	4750 400	4750 11500	0	St	W	May	Jun	-	May	399B 400B
b	Other	27b		See Footnote d			0	2	K-12	150	11500	0	-	-	-	-	-	May	346A 400B
	ZAIRE Bukavu	30		See Footnote d			15	3	K-6 7-8 9-12	1950 1950 2500	1950 16650 16650	25	St	W	Jan	Jun	Oct E	Jan	398B 399B
	Kinshasa	92		See Footnote d			15	3	K-6 7-8 9-12	5150 5350 5600	5150 5350 5600	20	St	Y	Jan	Jun	Oct E	Jan	391B 399B
	Lubumbashi	58		See Footnote d			15	3	K-12	1850	16650	25	St	W	Jan	Oct	Oct E	Jan	398B 399B
	Other	20		See Footnote d			15	3	K-12	150	16650	25	-	-	-	-	Oct E	Jan	396A 399B

a Eff. 2-16-86, b Eff. 3-2-86
c Please see Page 52

CHANGE	1	ALLOWANCES										7	REPORTING SCHEDULE						14
		2	3 QUARTERS				4	5	6 EDUCATION				8	9	10	11	12	13	
	INDIVIDUAL POST, COUNTRY, OR AREA OF ASSIGNMENT	TLA	FAMILY STATUS	LQA Groups 2	LQA Groups 3	LQA Groups 4	POST ALLOW	TRANS ZONE	School Grade	School At Post	School Away From	DIFF RATE %	AGENCY	Retail Price Schedule Type	Retail Price Schedule Due	Educ. Review Report Due	Diff. Review Report Due	LQA SF1190 Report Due	KEY TO PAST CHANGES TL:SR NO.
	ZAMBIA																		
a	Lusaka	56a	See Footnote d				0	2	K-3 4-6 7-12	2050 2150 2500	2050 2150 15150	15	St	Y	Apr	Jun	Nov D	Nov	398A 400A
a	Other	12a	See Footnote d				0	2	K-7 8-12	100 200	15150 15150	20	-	-	-	-	Nov D	Nov	398A 400A
	ZIMBABWE																		
b c	Harare	44c	See Footnote d				0	2	K-7 8-10 11-12	3900 4300 4600	14250 14250 14250	10	St	Y	Janb D	Jun	Dec E	Jan	400A 400B
c	Other	15c	See Footnote d				0	2	K-12	200	14250	15	-	-	-	-	Dec E	Jan	400A 400B
	OTHER FOREIGN LOCALITIES	10	See Footnote d				0	2	K-12	150	150	0	-	-	-	-	-	Jan	221 383A

FOOTNOTES TO SECTION 920

(Explanations on how to use the post classification and payment tables are included in Section 910 of these regulations.)

a - Effective - 2-16-86

b - Effective - 3-2-86

c - Changes were effective on both of the above dates. The allowance or other revision printed in this Section 920 was effective 3-2-86. The changes effective 2-16-86 are listed at the end of these footnotes.

d - No current cost information is available as all U.S. Government employees are in Government owned or leased housing. Any U.S. Government organization with employees eligible for the LQA should submit housing cost information to the Department of State as required by Section 072 and 077 of these regulations. Until more suitable housing cost information can be used to establish LQA rates for the locality, the following LQA rates are authorized:

LQA GROUPS	2	3	4
WF	4000	4000	4000
WOF	4000	4000	4000

e - These LQA rates are established for the benefit of only a few or no current employees and therefore do not necessarily represent overall local quarters costs. (See Sections 072 and 077 for information on the reporting of housing cost data.)

f - The indicated 'away from post' boarding school rates are to be reduced to the 'at post' rates at the end of the current school year.

h - When payment is made directly to a DOD school rather than as an education allowance to the employee, such payment must be considered to be in lieu of the education allowance. Thus, an employee whose child changes schools (DOD school, local school, U.S. school) during a school year, must deduct any payment made, or to be made, directly to the DOD school on the child's behalf from these rates. An employee cannot be granted or have paid on his/her child's behalf, an amount greater than the rates published for any one school year.

k - The TLA rate for the first day in any hotel may be increased by the amount of any mandatory room reservation fee levied.

m - The 'away from post' rate of $14,750 is for use only in attending schools located outside of South Africa. The school 'at post' rate may be used in attending day or boarding schools in South Africa.

n - In lieu of any other differential authorized by these regulations, an employee who serves for a period of 42 consecutive calendar days or more on detail (Section 511d) at one or more places in Lebanon may be granted the post differential at the prescribed rate for the number of days served at each such place, beginning with the first day of detail in Lebanon.

p - In addition to the listed post differential rate employees are eligible for 25% danger pay allowance (See Chapter 650).

s - The listed allowance rates apply only to employees in the Pre Treaty Area authorized by law to receive such allowances. The listing for "Canal Area (Pre Treaty)" applies only to Albrook, Ancon, Balboa, Cardenas, Cocoli, Corozal, Curundu, Diablo Heights, Farfan, Fort Amador, Fort Clayton, Fort Kobbe, Gamboa, Howard AB, La Boca, Los Rios, Quarry Heights and Rodman.

THE FOLLOWING RATES WERE EFFECTIVE 2-16-86. SEE FOOTNOTE c.

Temporary Lodging Allowance

BELGIUM	
Antwerp	38
Brussels	54
Florennes	35
Henri-Chapelle	21
-Herstal	38
-Kleine Brogel	21
Neuville-en-Condroz	21
SHAPE/Chievres	35
-Waereghem	20
-Other	20
BENIN	
-Cotonou	56
-Other	24
BOTSWANA	
-Francistown	37
-Gaborone	37
-Gomare	37
-Mahalapye	37
-Maun	37
-Molepolole	37
-Ngwatle Pan	37
-Other	37
BURKINA	
-Ouagadougou	45
-Other	25
CAMEROON	
-Douala	58
-Dschang	37
Yaounde	53
-Other	37
CENTRAL AFRICAN REPUBLIC	
Bangui	55
-Other	24
CHAD	
-Ndjamena	39
-Other	22
COMOROS	
-Moroni	62
-Other	17
CONGO	
-Brazzaville	73
-Other	21
EQUATORIAL GUINEA	
-Malabo	47
-Other	47
FRANCE	
-Belleau	23
Bony	23
-Bordeaux	50
-Clermont Ferrand	27
Draguignan	23
-Epinal	23
-Fere en Tardenois	23
-Fontainebleau	23
-Lyon	40
-Marseille	42
-Mulhouse	40
-Nice	40
-Paris	72
-Romagne-sous-Montfaucon	23
-St. Avold	23
-St. James	23
-St. Laurent	23
-St. Mihiel	23
-St. Nazaire Donges	23
-Strasbourg	60
-Other	23
FRENCH WEST INDIES	
-Martinique	
- (4/16 - 12/14)	70
- (12/15 - 4/15)	96
GABON	
-Libreville	69
-Other	23
IRELAND	
-Dublin	87
-Other	57
ITALY	
-Avellino	25
Brindisi	27
-Catania	38
Florence	66
-Gaeta	27
-Genoa	60
La Spezia	27
-Leghorn	27
-Martina Franca	25
-Milan	63
-Mount Nardello	25
-Naples	59
-Nettuno	25
-Palermo	40
-Pordenone-Aviano	25
-Rimini	39

POST CLASSIFICATION AND PAYMENT TABLES SECTION 920 (continued)

-Rome	63
-Sardinia	59
-Trieste	59
-Turin	51
-Verona	35
-Vicenza	31
-Other	25
IVORY COAST	
-Abidjan	55
-Other	29
JAPAN	
-Akizuki	33
-Fukuoka	72
-Gotemba	69
-Hiroshima	52
-Iwakuni	37
-Kyoto	55
-Misawa	44
-Nagoya	55
-Okinawa Prefecture	68
-Osaka-Kobe	58
-Sapporo	52
-Sasebo	37
-Tokyo City	109
-Tokyo-To	109
-Tsukuba	38
-Yokohama	49
-Yokosuka	33
-Other	33
LESOTHO	
-Maseru	32
-Other	13
LUXEMBOURG	53
MALI	
-Bamako	65
-Other	22
MALTA	
- (11/1 - 3/31)	54
- (4/1 - 10/31)	60
NAMIBIA	
-Windhoek	33
-Other	13
NETHERLANDS	
-Amsterdam	43
-Brunssum	26
-Hague, The	48
-Margraten	26
-Rotterdam	39
-Soesterberg	39
-Wageningen	24
-Other	24
NIGER	
-Niamey	47
-Other	22
NORWAY	
-Oslo	59
-Tromso	49
-Other	18
RWANDA	
-Kigali	43
SENEGAL	
-Bakel	23
-Kaolack	24
-Mbar Toubab	23
-Ziguinchor	34
-Other	23
SOUTH AFRICA	
-Cape Town	41
-Durban	39
-Johannesburg	38
-Pretoria	31
-Other	13
SPAIN	
-Barcelona	38
-Bilbao	40
-El Ferrol del Caudillo	14
-Madrid	56
-Rota	26
-Seville	44
-Torrejon AB	56
-Zaragoza	23
-Other	12
SWAZILAND	
-Mbabane	24
-Other	14
SWEDEN	
-Goteborg	61
-Stockholm	89
-Other	16
SWITZERLAND	
-Bern	45
-Geneva	59
-Lausanne	45

POST CLASSIFICATION AND PAYMENT TABLES SECTION 920 (continued)

Morges	38
Zurich	69
Other	27
TOGO	
-Lome	61
Other	24
UNITED KINGDOM	
-Bath	44
-Belfast	60
-Bristol	48
-Cambridge	39
-Caversham	56
-Cheltenham	40
-Chicksands	39
-Dunstable	44
Edinburgh	56
-Edzell	37
-Fairford	54
-Felixstowe	32
-Glasgow	50
-Harrogate	32
-High Wycombe	55
-Hythe	32
-Lakenheath	33
-London	74
-Oxfordshire	43
-Welford	38
-West Byfleet	32
-Wethersfield	32
-Woodbridge	49
-Other	32
VENEZUELA	
-Caracas	37
-Maracaibo	32
ZIMBABWE	
-Harare	42
-Other	14

Living Quarters Allowance

AUSTRIA				
-Vienna	WF	17700	14900	11800
	WOF	14800	11800	10800
BELGIUM				
-Antwerp	WF	10300	9900	8600
	WOF	9900	8600	6800
-Brussels	WF	13300	11700	8800
	WOF	10300	8800	7500
-Florennes	WF	6400	6000	5200
	WOF	6000	5200	5200
Herstal	WF	7200	7100	6200
	WOF	6900	6200	5600
-Kleine Brogel	WF	7500	7500	6000
	WOF	7100	6000	5100
-SHAPE/Chievres	WF	8500	8100	7200
	WOF	7300	6600	5900
FRANCE				
-Clermont-Ferrand	WF	5100	5100	4800
	WOF	5100	4800	4800
-Fontainebleau	WF	8400	8400	6600
	WOF	8400	6600	5200
-Marseille	WF	8400	8400	7200
	WOF	8400	8400	5500
-Mulhouse	WF	8000	8000	6100
	WOF	8000	6100	5300
-Paris	WF	16000	14000	11500
	WOF	13400	11500	9800
-St. Nazaire Donges	WF	11000	11000	8900
	WOF	11000	8900	7200
ITALY				
-Avellino	WF	5900	5800	5300
	WOF	5800	5800	4400
-Brindisi	WF	4200	4200	3900
	WOF	4200	4200	3400
-Catania	WF	6300	6300	4800
	WOF	6000	4800	4100
-Gaeta	WF	5900	5900	4700
	WOF	5300	4700	3400
-Genoa	WF	7400	7400	5800
	WOF	7400	5800	5500
La Spezia	WF	11500	8200	6500
	WOF	7900	6500	5700
-Leghorn	WF	6100	6100	4600
	WOF	5600	4300	4100
-Milan	WF	11600	11600	9000
	WOF	11400	9000	7900
-Naples	WF	9900	8200	7000
	WOF	7900	7900	6600

POST CLASSIFICATION AND PAYMENT TABLES SECTION 920 (continued)

-Palermo	WF	6800	6300	5800
	WOF	6300	5800	4300
Pordenone-Aviano	WF	6000	6000	5300
	WOF	5300	5000	4600
Rimini	WF	5000	5000	4400
	WOF	4400	4200	3500
-Rome	WF	10900	9900	8300
	WOF	9900	8300	6500
-Sardinia	WF	5800	5700	5300
	WOF	5300	5300	3900
-Trieste	WF	7400	7400	6000
	WOF	7100	5900	5500
-Verona	WF	5600	5600	5600
	WOF	5500	5500	3400
-Vicenza	WF	5800	5800	4200
	WOF	4700	4700	3600
JAPAN				
-Akizuki	WF	6100	6100	6100
	WOF	6100	6000	6000
-Gotemba	WF	11300	11300	9000
	WOF	11300	9000	7400
-Iwakuni	WF	7600	7600	7600
	WOF	7600	6300	6300
-Misawa	WF	9300	9300	8300
	WOF	9300	8900	6700
-Nagoya	WF	14200	11500	9000
	WOF	11500	9000	7600
-Okinawa Prefecture	WF	9700	9700	7900
	WOF	9700	8700	6500
-Sapporo	WF	8400	8400	6900
	WOF	8000	6900	6600
-Sasebo	WF	7500	7500	6100
	WOF	6900	6100	5200
-Tokyo City	WF	27600	27600	19900
	WOF	26700	19900	17400
-Tokyo-To	WF	8800	8500	8100
	WOF	8800	7400	6700
-Yokohama	WF	11800	11300	8700
	WOF	11300	8700	8000
Yokosuka	WF	10300	8900	8400
	WOF	8900	7600	6700
LUXEMBOURG	WF	12500	12500	10100
	WOF	12300	10100	8400
MALTA	WF	8000	8000	7200
	WOF	8000	6800	6800
NETHERLANDS				
-Amsterdam	WF	13400	13400	9800
	WOF	13400	10200	8500
-Brunssum	WF	7600	7600	7500
	WOF	7500	7400	7400
-Hague, The	WF	16300	14100	11600
	WOF	13200	11200	9200
-Rotterdam	WF	12200	11100	9200
	WOF	10000	10000	9200
-Soesterberg	WF	7500	7500	7500
	WOF	7500	7000	5500
-Wageningen	WF	12600	11800	9400
	WOF	11800	9400	7600
-Other	WF	5900	5900	5500
	WOF	5900	5500	4400
SENEGAL				
-Dakar	WF	11700	11700	9300
	WOF	11700	9300	7300
SPAIN				
-Barcelona	WF	12200	12200	8900
	WOF	11900	8900	8000
-Bilbao	WF	6900	6900	5800
	WOF	6900	5800	5000
-El Ferrol del Caudillo -	WF	4700	4700	3800
	WOF	4700	3800	3400
-Madrid	WF	13500	11100	8800
	WOF	11100	8800	7700
-Rota	WF	5600	5600	4600
	WOF	4900	4600	4200

POST CLASSIFICATION AND PAYMENT TABLES SECTION 920 (continued)

Seville	WF	9400	9400	7000
	WOF	9400	7000	6100
Torrejon AB	WF	11300	8700	7000
	WOF	8700	7100	6700
Zaragoza	WF	4200	4200	3800
	WOF	4200	4200	3000
SWITZERLAND				
-Bern	WF	17500	14800	12600
	WOF	14000	13000	11900
-Geneva	WF	22000	18800	16500
	WOF	17000	16500	13500
-Lausanne	WF	17500	14800	12600
	WOF	14000	13000	11900
-Zurich	WF	16900	15600	12600
	WOF	12700	12600	10800
UNITED KINGDOM				
-Bath	WF	5700	5700	5500
	WOF	5500	5500	5500
-Bristol	WF	6200	6200	4300
	WOF	5500	5500	4100
Cambridge	WF	4000	4000	4000
	WOF	4000	4000	4000
-Cheltenham	WF	5100	4700	4000
	WOF	5100	4300	3900
-Chicksands	WF	6700	6100	4500
	WOF	5300	4500	4300
-Dunstable	WF	7400	6900	4700
	WOF	6900	5800	4400
-Edzell	WF	5700	5700	4000
	WOF	5300	4000	3900
-Fairford	WF	5700	5700	4600
	WOF	5700	4600	4000
-Glasgow	WF	4700	4600	4500
	WOF	4600	4100	4100
-Harrogate	WF	5300	5100	4100
	WOF	4500	4100	4000
-High Wycombe	WF	14200	11000	8700
	WOF	11000	8600	8600
-Hythe	WF	4500	4500	4000
	WOF	4100	4000	3900
-Lakenheath	WF	5300	5300	4600
	WOF	4600	4400	4000
-London	WF	15400	12800	[illegible]
	WOF	13400	9300	[illegible]
-Oxfordshire	WF	6000	6000	5200
	WOF	6000	4900	4500
-Welford	WF	8200	8200	7100
	WOF	8200	7100	6700
-West Byfleet	WF	14100	12000	7900
	WOF	14100	8600	7900
-Wethersfield	WF	5700	5700	4600
	WOF	5500	4700	4100
-Woodbridge	WF	5800	5800	4700
	WOF	5800	4700	4300
-Other	WF	5800	5800	4600
	WOF	5800	4800	4100
VENEZUELA				
-Caracas	WF	8400	8400	6800
	WOF	8400	6800	5600
-Maracaibo	WF	4500	4500	3900
	WOF	4500	3900	3200

Post Allowance

CHAD	
-Ndjamena	35
-Other	35
JAPAN	
-Sapporo	35
SWITZERLAND	
-Bern	35
-Geneva	35
-Lausanne	35
-Morges	35
-Zurich	35
-Other	35
UNION OF SOV. SOC. REPS.	
-Leningrad	10

DEPARTMENT OF STATE
FOREIGN AREA ALLOWANCE AND DIFFERENTIAL TOTALS
(Dollars in Thousands)

Allowance/Differentials	FY 1986 (est.)	FY 1987 (est.)
Foreign Transfer and Home Service Transfer Allowances	$ 3,498	$ 3,630
Supplementary Post Allowances	403	421
Temporary Lodging Allowances	2,947	3,077
Education Allowances	17,233	17,991
Post (Cost of Living) Allowances	4,676	4,882
Separate Maintenance Allowances	1,449	1,513
Representation Allowances	4,700	4,897
Post (Hardship) Differentials	15,353	16,100
Danger Pay Allowances	1,200	1,300
Living Quarters Allowances	5,105	5,997
Official Residence Expenses	9,415	9,829
Miscellaneous Other Allowances	7,489	7,819

Question:

Currently Foreign Service Officers serve at an overseas post for 18 months to 2 years and are then transferred to another post or to the United States. Given the inevitable budget constraints that are coming, doesn't it make sense to assign an officer to a post for a longer period of time, say 3 years, before he or she is transferred? What would be the annual savings from such a policy change?

Answer:

Currently, nearly 40 percent of Foreign Service Officers assigned overseas are initially assigned for three-year tours of duty (TOD). Almost all of the other sixty-odd percent of overseas assignments of Foreign Service Officers are for two years; the only 18-month overseas TOD's are for certain first-tour junior officers. Assignments of mid-level and senior Foreign Service Officers to non- differential posts and to positions in differential posts (i.e., hardship) where continuity is especially important are for three, and in some cases four, years. Moreover, the Department encourages voluntary extensions, and a significant number of employees extend. A recent sample, for example, indicated that 1) 10-15% of the employees assigned to differential posts on two-year TOD's extend for a third year, and some for even longer; and 2) nearly one-third of the officers assigned to non-differential posts extend for a fourth year.

The Department recently completed a review of its TOD policy and, as a result, management presented a proposed revision in the policy last month to the American Foreign Service Association (AFSA), the exclusive employee representative. The proposed revision, which must be negotiated with AFSA, will lengthen tours from two to three years for nearly all employees assigned to 10 and 15 percent differential posts (i.e., "lesser" hardship posts) as well as for employees assigned to the more responsible supervisory positions in 20 and 25 percent differential posts (i.e., "greater" hardship posts). The proposed revision in the Department's TOD policy, when fully implemented, is expected to result in an annual savings of $3-4 million and increased efficiency and productivity.

Post Closings

Question:

Please provide, in ascending order of priority, the 50 lowest priority overseas posts the United States could close to accommodate a lower budget for the State Department. Include the post location, American and Foreign Service National positions, and the savings to be expected in fiscal year 1987 from a closure if it were proposed. Include the annual savings in the outyears as well, and specifically highlight those posts scheduled for security upgrades pursuant to the diplomatic security program.

Answer:

The Department is unable to provide a prioritization of 50 lowest priority overseas posts. Such a prioritization, beyond the seven post closings notified to the Congress on March 5, 1986, has not been made, although the Department is seeking to achieve economies in constituent post and small embassy operations. If additional posts are identified for closure, the Congress will be consulted in accordance with normal practice. Information on the seven posts to be closed before the end of fiscal year 1986, as notified to the Congress on March 5, 1986, is attached:

UNDER SECRETARY OF STATE
FOR MANAGEMENT
WASHINGTON

March 5, 1986

Dear Mr. Chairman:

The Secretary has asked me to advise you of the Department's plans to close seven small consulates, replacing them with consular agencies, during this fiscal year in order to support the Administration's deficit reduction program. The seven consulates are: Bremen (Federal Republic of Germany); Nice (France); Rotterdam (The Netherlands); Salvador da Bahia (Brazil); Seville (Spain); Trieste (Italy); and Winnipeg (Canada). Reorganization of these seven posts would result in an annual savings of $4.0 million and 35 positions, including 10 American positions.

Methods of achieving economies in State Department overseas operations have been under intensive review. We are conducting a wide-ranging and detailed evaluation of constituent posts to determine alternative operating modes. Other agencies having an interest in operations at these seven consulates have been consulted. As a result, of our study and our consultations with other agencies, we have concluded that, within available resources, U.S. interests in these cities would best be managed as follows:

Bremen - reduce to a consular agency, with oversight by Consulate General Hamburg.

Nice - reduce to a consular agency; accredit our Consul General at Marseille to the Principality of Monaco.

Rotterdam - reduce to a consular agency, followed by closure and consolidation of all State Department operations at The Hague when new chancery construction is completed in 1990-91.

Salvador da Bahia - reduce to a consular agency, with oversight from Rio de Janeiro.

Seville - reduce to a consular agency, with oversight from Madrid.

Trieste - reduce to a consular agency, transferring other responsibilities to Rome and consular posts in northern Italy.

Winnipeg - reduce to a consular agency; U.S. Customs and Immigration and Naturalization Service airport pre-clearance offices would remain.

We no longer face the question of whether to reduce our overseas presence but rather where those reductions should be made. In deciding on the foregoing consulate closures, the Department has taken into consideration a wide range of alternatives to a reduced presence at these seven posts. Each such alternative would have required us to curtail operations at other posts even more important to our responsibility for representing the United States and serving U.S. citizens. The less desirable alternatives included reducing substantive reporting and consular services in cities more critical to our foreign policy and economic-commercial interests. After careful consideration, we have concluded that closing our consulates in these seven cities would create the least disruption, particularly as consular agencies will remain there to perform essential services for American citizens.

In this time of budgetary stringency, to live within its budget the Department will need to continue to examine reductions in overseas operations. As we continue this examination, we may need to close more consulates, to reduce the U.S. presence at some locations, or to reconfigure operations of certain posts, in addition to the seven noted above. We will continue to consult with the Congress as this process proceeds.

Sincerely,

Ronald I. Spiers

Ronald I. Spiers

Question:

Please provide a breakdown of current services adjustments that would be necessary for the salaries and expenses appropriation if the Congress does not enact the fiscal year 1986 supplemental requests of the State Department.

Answer:

The following are current services adjustments that the Department would require even if the 1986 Overseas Security Supplemental was not enacted:

Full year cost of 1986 Increases (Annualizations)	$13,708
Anticipated Wage Increases	9,161
Anticipated Price Increases:	
Overseas Price Increases	9,413
Domestic Price Increases	16,940
Increase in Workmen's Compensation Costs	316
Increase in Seabee Pay and Allowances	268
Total, Current Services Adjustments	$49,806

Question:

The Department is requesting 198 positions and $10 million for political and economic reporting and analysis. Would most of these positions be at overseas posts? Why are we increasing our overseas presence in the face of continuing security threats? Aren't the existing 3,759 positions sufficient to do the job?

Answer:

The 198 positions requested in FY 1987 include 160 American positions, of which 104 would be overseas, and 38 Foreign Service National positions.

The threat of terrorist and other subversive activities against our overseas missions and friendly nations has been a factor in the Department's request for additional reporting and analysis positions. The "Report of the Secretary of State's Advisory Panel on Overseas Security" addresses the threat against our overseas personnel, and recommends enhanced reporting and analysis capability to help thwart terrorist actions.

As Secretary Shultz testified March 27, 1984 before the Smith Appropriations Subcommittee, "Over the last several years our resources for this critical activity (i.e., reporting and analysis) have actually declined by twelve percent. Yet the demands for even more reporting grow as new agencies and offices are created to deal with our ever-changing complex world."

The Department of State provides more than half of the U.S. Government's security-intelligence reports, and about two-thirds in the area of internal politics of other countries and international relations. The demand for expanded reporting and analysis from all agencies, and for reporting to meet Congressionally-mandated requirements and less formal requests from the Congress continues to grow. Moreover, the Department must prepare to meet the foreign policy challenges of the 21st century, particularly in the realm of science and technology. The background and skills required for reporting and analysis take time to develop. They usually require the mastery of one or more foreign languages, an understanding of foreign cultures, and the ability to earn the confidence of foreign leaders.

Question:

8. The Department is also requesting an additional 144 positions and $26.6 million over the 1986 level for information systems. This is a 38 percent increase over the 1986 funding level. Why is the increase so large? Can the Department sustain a current services level in information systems for several years? If not, why not?

Answer:

This major increase recognizes the critical importance of information technology resources for State's reporting and analysis mission. The Department has not been receiving the human resources needed for a strong technology base. In the last five years, a period of incredibly dynamic growth in the industry, the Office of Information Systems received only eight new positions and five of these were computer operators. During this period, 76 minicomputers have been located overseas along with sophisticated systems, again without an adequate increase in positions to manage these systems properly.

To insure the proper use of these systems, a strategic planning effort is underway, leading to a new Foreign Affairs Information System (FAIS) and the Under Secretary for Management has approved the establishment of a new career field for Foreign Service Systems Managers. However, without the approved level of positions requested below, the Department will not be able to support these plans.

In sum, in a time of austerity, the Department must increase the productivity of its officers with technology tools. We are thus requesting the following:

-- 66 positions and $4,659,000 for American Systems Managers, FSN support personnel, Financial Management Centers and direct support to overseas posts for systems installations and upgrades.

-- 78 positions and $19,511,000 for domestic information systems support including: the continued expansion of the Foreign Affairs Information System (FAIS); improved automated intelligence support system; Western Hemisphere disbursing function; and, enhancement of the central Office of Information Systems.

-- $2,400,000 for American Salaries and post assignment travel for new positions.

Question:

The Department is requesting $4,000,000 for design of a building to house the Foreign Service Institute. What are the annual costs associated with leasing space in Rosslyn? If they are increasing, has the Department identified alternative space in lieu of construction? What is the estimate of the total cost of a new building?

What are the annual costs associated with leasing space in Rosslyn?

Answer:

At present, the annual rent for the 210,000 gross sq. ft. occupied by FSI in Rosslyn is $1.7 million, or approximately $8 per sq. ft. The lease on our main building expires this summer, and we are anticipating an increase to approximately $17 per gross sq. ft. The total cost of building in 1989/90, including design, demolition, site preparation and construction, is estimated at approximately $145 per gross sq. ft. This indicates that the cost of building new facilitites is equivalent to about eight years rent in existing, inadequate space.

Question:

If leasing costs are increasing, has the Department identified alternative space in lieu of construction?

Answer:

Leasing costs are increasing throughout the metropolitan area. FSI needs to be close to the Department of State to perform its mission effectively and economically. It would not be cost effective to relocate FSI within the metropolitan area in other leased space.

Question:

What is the estimate of the total cost of the new building?

Answer:

The total cost of new FSI facilities at Arlington Hall is estimated at $61 million for 415,000 gross square feet. An analysis prepared in 1985 with GSA assistance, and using the approved OMB formula, showed that the present value cost advantage to the U.S. Government of building rather than leasing this amount of space for 30 years is over $40 million.

Question:

The number of American positions authorized overseas in the bureau of African Affairs would increase from 628 to 696 in 1987. What accounts for this increase?

Answer:

American position increases for FY 1986 and FY 1987 in the Bureau of African Affairs are as follows:

FY 1986 Increase - 27 American Positions

14	Consular Officers
4	Economic Officers
4	Political Officers
3	Political/Economic Officers
1	Ambassador's Secretary
1	DCM's Secretary
27	Total

FY 1987 Increase - 41 American Positions

9	Political Officers
9	DCM's Secretaries
7	Economic Officers
4	General Services Officers
3	Information Systems Officers
2	Administrative Secretaries
1	Economic/Commercial Officer
1	Economic Secretary
1	Political Secretary
1	Administrative Officer
1	Budget and Fiscal Officer
1	Disbursing Officer
1	Building Services Officer
41	Total

Question:

The number of American positions authorized overseas in the Bureau of East Asian and Pacific Affairs would increase from 633 in 1985 to 690 in 1987. What accounts for this increase?

Answer:

All of the position increases for FY 1986 and FY 1987 respond to increases in either administrative and consular workload or additional reporting requirements.

FY 1986 - An increase of 12 American positions was approved.

6 in political affairs
3 in economic affairs
2 in science and technology affairs
1 in financial management services
12 total

FY 1987

17 in political affairs
7 in economic affairs
3 in science and technology affairs
6 in consular affairs
6 in administrative support
5 in information systems management
1 in financial management
45 total

Combined total of 57 positions increased from FY 1985 to FY 1987

Question:

12. Please identify the number of Assistant Secretary's and Deputy Assistant Secretary's in each of fiscal years 1981 through 1987.

Answer:

See the attached lists for details on individuals in positions as Assistant Secretaries and Deputy Assistant Secretaries from 1981 to the present:

ASSISTANT SECRETARIES

1981 - Present

Position	Name	Appointed	Status	Predecessor
Congressional Relations	Richard Fairbanks	2/27/81	NC	J. Brian Atwood (NC)
	Powell Allen Moore	2/7/82	NC	Richard Fairbanks (NC)
	W. Tapley Bennett, Jr.	9/14/83	CR	Powell Allen Moore (NC)
	William Lockhart Ball III	3/29/85	NC	W. Tapley Bennett, Jr. (NC)
	Vacant			William Lockhart Ball III (NC)
International Organization Affairs	Elliott Abrams	5/7/81	NC	Richard Lee McCall (NC)
	Gregory J. Newell	5/28/82	NC	Elliott Abrams (NC)
	Allen Lee Keyes	11/6/85	NC	Gregory J. Newell (NC)
Economic and Business Affairs	Robert D. Hormats	5/7/81	NC	Deane R. Hinton (CR)
	Richard T. McCormack	2/17/83	NC	Robert D. Hormats (NC)
	Douglas W. McMinn	7/12/85	NC	Richard T. McCormack (NC)
European Affairs	Lawrence S. Eagleburger	5/14/81	CR	George S. Vest (CR)
	Richard R. Burt	2/17/83	NC	Lawrence S. Eagleburger (CR
	Rozanne L. Ridgway	7/18/85	CR	Richard R. Burt (NC)
Near Eastern and South Asian Affairs	Nicholas A. Veliotes	5/14/81	CR	Harold H. Saunders (NC)
	Richard W. Murphy	10/27/83	CR	Nicholas A. Veliotes (CR)
East Asian and Pacific Affairs	John H. Holdridge	5/20/81	CR	Richard Holbrooke (NC)
	Paul D. Wolfowitz	12/16/82	NC	John H. Holdridge (CR)
	Gaston J. Sigur	3/4/86	NC	Paul D. Wolfowitz (NC)
African Affairs	Chester A. Crocker	6/9/81	NC	Richard M. Moose (NC)
Inter-American Affairs	Thomas O. Enders	6/20/81	CR	William Garton Bowdler (CR)
	Langhorne A. Motley	6/29/83	NC	Thomas O. Enders (CR)
	Elliott Abrams	7/12/85	NC	Langhorne A. Motley (NC)
Public Affairs	Dean E. Fischer	7/27/81	NC	William Jennings Dyess (CR)
	Robert John Hughes	8/18/82	NC	Dean E. Fischer (NC)
	Bernard Kalb	8/1/85	NC	Robert John Hughes (NC)
Administration	Robert E. Lamb	11/14/83	CR	Thomas M. Tracy (CR)
	Donald J. Bouchard	12/6/85	CR	Robert E. Lamb (CR)

ASSISTANT SECRETARIES (continued)

Position	Name	Appointed	Status	Predecessor
Assistant Secretary of State for Consular Affairs	Joan M. Clark	11/18/83	CR	Diego C. Asencio (CR)
Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs	James L. Malone	5/22/81	NC	Thomas R. Pickering (CR)
	John Dimitri Negroponte	7/12/85	CR	James L. Malone (NC)
Assistant Secretary of State for International Narcotics Matters	Dominick L. DiCarlo	9/19/81	NC	K. Mathea Falco (NC)
	Jon R. Thomas	10/5/84	NC	Dominick L. DiCarlo
Assistant Secretary of State for Human Rights and Humanitarian Affairs	Elliott Abrams	11/23/81	NC	Patricia M. Derian (NC)
	Richard Schifter	10/28/85	NC	Elliott Abrams (NC)

Deputy Assistant Secretaries
1981 to Present

Bureau	Names	Date Confirmed
M	Hodges, Clarence E.	6/27/83
PM	McNamare, Thomas E.	2/22/83
	Lehovitch, Vladimir	2/3/86
PM	Hawes, John H.	2/1/85
PM	Lehman, Christopher	6/22/81
	Kanter, Arnold Lee	3/19/84
	Hughes, Philip	3/25/86
HA	Levitsky, Melvyn	2/28/82
	Dietrich, Laura Jordan	3/3/84
HA	Fairbanks, Charles	2/22/82
	Matthews, Gary L.	4/1/83
	Montgomery, James M.	1/7/86
HA	Scheinman, Ronald	2/28/82
	Burke, Scott	9/27/82
	Moser, Leo J.	12/13/85
INM	Thomas, Jon R.	3/8/82
	Wrobleski, Ann	2/5/85
	Dion, Jerrold Mark	8/14/85
OES	Marshall, Harry R.	2/23/84
	Smith, Richard J.	8/14/85
OES	Kronmiller, Theodore	5/4/81
	Wolfe, Edward E.	12/22/83
OES	Horner, Charles	4/28/81
	Morris, Robert G.	11/12/85
	VACANT	
OES	Hughes, Mary Rose	12/21/81
	Benedick, Richard Elliot	11/22/85
OES	Devine, James B.	1/8/82
RP	Funseth, Robert L.	12/22/81
RP	Dewey, Arthur Eugene	11/13/81
RP	English, Richard D.	1/31/83
EB	Constable, Elinor G.	
EB	Lamb, Denis	3/18/82
EB	Willis, Franklin K.	12/22/83
	Milam, William B.	10/7/85
EB	Scocozza, Matthew	11/24/81
	Smith, Richard J.	12/2/83
	Shane, Jeffrey N.	10/7/85

Bureau	Names	Date Confirmed
EB	Wendt, E. Allan	3/15/82
EB	Tahtinen, Dale R.	8/25/83
INR	McNeil, Francis J.	2/23/84
INR	Bellocchi, Natale	3/18/82
	Richard A. Clarke	7/30/85
	VACANT	
INR	Knepper, William	6/14/84
	Bailey, Kathleen	3/3/86
INR	Thorne, C. Thomas	2/22/83
	Taylor, John J.	4/13/86
INR	Kahan, Jerome H.	4/8/85
INR	Sulc, Lawrence	6/14/84
	VACANT	
H	Montgomery, James M.	7/11/81
	Turner, Robert F.	1/20/84
	Johnson, Mark	2/3/86
H	Hoppe, Louise R.	1/25/84
H	Dyer, James W.	12/24/85-6/13/85
H	Fox, J. Edward	6/24/85-3/4/83
	VACANT	
PA	Seitz, Raymond	3/15/82
	McCarthy, John T.	11/4/83
	High, George Borman	9/3/85
PA	Smalley, Robert	7/19/82
	Djerejian, Edward P.	2/11/85
	VACANT	
ARA	Bosworth, Stephen	7/17/81
	Michel, James H.	2/16/83
ARA	Johnstone, Craig	8/22/83
	Gelbard, Robert S.	8/15/85
ARA	Gillespie, Charles A., Jr.	8/22/85
	Walker, William Graham	10/7/85
ARA	Kilday, Lowell C.	8/22/83
	Taylor, Paul Daniel	8/15/85
ARA	Briggs, Everett	7/17/81
	Holwill, Richard N.	8/15/83
EUR	Dobbins, James F.	10/2/82
	Wilkinson, M. James	9/25/85
EUR	Palmer, Robie M. H.	10/2/82

Bureau	Names	Date Confirmed
EUR	Blackwill, Robert	10/2/82
	Thomas, Charles H., II	9/25/85
EUR	Gompert, David	7/27/81
	Kelly, John H.	11/4/83
	Woessner, William M.	4/3/86
EUR	Scanlan, Jack	5/12/81
	Medas, James M.	8/24/83
EAP	Brown, William A.	9/7/83
	Piez, William	5/21/85
EAP	O'Donohue, Daniel	3/17/81
	Monjo, John C.	11/4/83
EAP	Shoesmith, Thomas	3/17/83
	Sherman, William C.	10/27/83
EAP	Brand, Robert	3/17/81
	Lilley, James Roderick	4/19/85
NEA	Schaffer, Howard B.	11/19/82
	Nassif, Thomas A.	1/31/83
	Suddarth, Roscoe S.	10/1/85
NEA	Peck, Robert A.	
NEA	Raphel, Arnold L.	3/28/84
NEA	Schneider, David	11/19/82
	Placke, James A.	2/3/83
	Creekmore, Marion V., Jr.	10/7/85
NEA	Cluverius, Wat, IV	11/10/82
	Pelletreau, Robert	2/3/83
	Ussery, Elbert Michael	10/17/85
AF	Wisner, Frank G., II	5/21/82
	Freeman, Charles W., Jr.	4/3/86
AF	Lyman, Princeton	7/11/81
AF	Bishop, James K.	7/11/81
AF	Robinson, Leonard	3/24/83
	Robertson, William Bernard	5/22/85
IO	Eller, Don C.	8/22/83
	Goodman, Dennis C.	1/7/86
IO	VACANT	
IO	Streeb, Gordon	3/15/82
	Bergaust, Jean	12/2/83
	Kauzlarich, Richard Dale	6/1/84
IO	Toussaint, Donald	6/24/82
	VACANT	

Bureau	Names	Date Confirmed
IO	Edelman, Mark L.	8/17/81
	Rosebush, James S.	7/28/83
	Genero, Laura	12/24/85
DS	Fields, David C.	12/22/83
A/CDC	Burke, John R.	3/1/82
A/FBO	Buffalo, Harvey A.	8/22/83
	Dertadian, Richard N.	5/21/85
A/ISO	Mount, Day O.	2/10/84
A/OPR	Weiss, Walter	9/18/81
	Condayan, John	12/22/83
A/OC	Ribera, Robert C.	2/10/84
M/DGP	Steignman, Andrew	7/17/81
	Cohen, Herman J.	2/23/84
M/DGP	Bouchard, Donald J.	5/7/84
	Lupo, Samuel Eldred	4/8/85
CA	Newlin, Michael H.	3/27/85
CA	Blevins, Donald	7/17/81
	Rowell, Edward M.	10/25/83
	Coburn, Harry L.	7/11/84
CA	Goelz, Louis P.	7/17/81
	Penner, Vernon D., Jr.	4/9/85-12/2/83
CA	Lane, Robert B.	7/17/81
	Tharp, Thomas A. D.	4/1/85

74 Positions

Doc. 331W

Question:

Please provide a priority listing of all program enhancements requested in the Salaries and Expenses appropriation for fiscal year 1987.

Answer:

The following is a priority ranking of 1987 program increases in the Salaries and Expenses appropriation:

1.	New Requirements as a result of 1986 Security Supplemental	53,127
2.	Overseas Administrative Support (Current Workload)	3,557
3.	Overseas Consular Workload	1,571
4.	Reporting & Analysis	10,000
5.	Professional Development (FSI Facility)	4,000
6.	Information Systems	26,570
7.	Ongoing Security Requirements	2,000
8.	Communications Programs	2,000
9.	Conduct of Diplomatic Relations with Micronesia	800
10.	Management Savings	-11,120
Total, Program Increases		$92,505

Question 14:

Please provide a priority listing of all requests for Foreign Buildings Office projects in 1987 not associated with the diplomatic security program.

Answer:

The following is a priority listing of requests for FBO projects in 1987 not associated with the diplomatic security program:

Post/Project	Cost Estimate
Beijing/Chancery	$11,849,000
Bonn/Housing Rehab.	10,000,000
Belmopan/Chancery & Compound	33,062,000
Georgetown/Embassy Residence	500,000
DOD Housing Purchase	4,725,000

Question 15:

For each capital project requested in 1986 and 1987 for which total personnel at the post are projected to increase, provide a rationale for assuming the increase.

Answer:

During the preparation of the security enhancement supplemental, all foreign affairs agencies represented at posts abroad were asked to provide staffing projections to the Office of Foreign Buildings (FBO). Their projections are based on anticipated work load requirements. FBO includes these projections in computing space requirements. Justification for additional Department of State positions is included in the Department's regular and supplemental budget submissions. The Department assumes that other agencies similarly include justifications for new positions in their budget submissions, but these justifications are not normally made available to the Department.

Question 16:

Is there any capital project requested in 1986 and 1987 for which total personnel at the post are projected to decrease? If so, please identify the post. If not, why not?

Answer:

No post has reported a projected decrease in personnel levels. Because costs of providing security for USG personnel and operations abroad are increasing rapidly at a time of severe budget constraints, the President, in order to reduce the budget deficit, has directed all agencies to review their overseas staffing and recommend reductions where appropriate.

Question 17:

Why are two staff residences in Bangkok, Thailand projected to cost $900,000, especially when eleven housing units in Canberra, Australia are projected to cost $1,100,000?

Answer:

The projected costs for the housing projects in Bangkok and Canberra do not stand up to comparison since the two projects are very dissimilar.

There was an inadvertent error in the previously submitted narrative portion of the FY-87 Budget which states that "two staff residences in a condominium be purchased for the Defense Attache operation." The actual line item in the budget indicates these funds are to be utilized for the purchase of six DOD staff housing units. The average cost per unit would therefore be $150,000 in Bangkok.

In Australia, we developed a pilot project in which a property management firm analyzed our holdings and needs, then developed a long-term plan to more effectively utilize our properties by selective sales. The $1.1 million represents that part of the proceeds of sale of under-utilized properties which will be used to purchase replacement properties in FY 1987.

Question:

The proposed capital project in East Berlin is projected to cost $56,160,000. Does it make sense to close our offices in

East Berlin and accredit our post in West Berlin as the embassy for the German Democratic Republic?

Answer:

The suggestion to close our embassy to the German Democratic Republic and transfer its authority to the United States Mission in Berlin is simply not feasible. First and foremost, the GDR would not accept West Berlin as the location of a foreign mission accredited to it. The result would likely be an absence of US diplomatic representation accredited to the GDR.

Second, the United States Mission to Berlin is not an embassy, and the Ambassador who heads the mission is resident in Bonn, FRG and accredited to the Federal Republic of Germany. It is safe to say that neither German state would accept an Ambassador accredited to the other Germany.

Third, there are strong arguments for maintaining an embassy in Berlin accredited to the German Democratic Republic. The US has important national interests to advance in its relations with the GDR, and the transfer of our embassy to another location would reduce or eliminate our ability to advance these interests. It would also suggest to the GDR that our desire to advance those interests has decreased.

Fourth, the GDR is an important industrialized country whose GNP ranks 11th or 12th in the world. It is also home to the largest contingent of Soviet troops based outside the Soviet Union. The GDR's geographical location on the division between East and West places these Soviet forces next to our major Western European ally, the FRG, which is similarly the home for the largest contingent of US military forces based outside the continental US.

Fifth, the German Democratic Republic surrounds Berlin, a city for which we, the British and French remain the protecting powers. The United States is committed to the security and freedom of Berlin. Withdrawal of our Embassy could well lead to a period of severe tension in Berlin including Soviet and GDR efforts to affect our access to the Western Sectors.

Finally, in part due to its aforementioned economic performance, the GDR has undertaken in the past 3-4 years a more active foreign policy and has assumed greater importance in regional as well as East-West terms. The pace and complexity of these developments precludes periodic reporting from afar.

Question 20:

Why is the State Department being asked to provide security enhancements for six USIA shortwave radio stations located in the United States?

Answer:

The 1986 Supplemental request includes some domestic security items, such as the automated access control system for USIA headquarters. The enhancements in question are planned for VOA broadcasting stations which at present lack security precautions, making them particularly vulnerable to acts of terrorism in North America. Damage to any one of the stations would result in interruption of VOA broadcasting worldwide.

Question:

21. Why are requests being made for security enhancements for U.S. Travel and Tourism Administration offices overseas when the Administration is proposing to eliminate the agency in 1987?

Answer:

The only specific item requested for the Department of Commerce is armored vehicles, starting in FY 1988. If the U.S. Travel and Tourism Administration offices overseas are eliminated before the armored vehicles are available, then the vehicles will be shipped to other overseas locations where they are needed.

Question:

22. Why does the Department assume $50,000 per site will be necessary to assess security at Department of Commerce offices in Hong Kong, Seoul, and Moscow?

Answer:

The $50,000 per post cost is based on sending a small survey team of perhaps two to three professionals to each post and then developing the plans and drawings to meet security improvements required at these posts. Most of the $50,000 for each post would be used for the plans and drawings developed by architects and engineers.

In Seoul, the U.S. Foreign Commercial Service office and the trade center are located in the same facility. The trade center is one of the busiest in the world and has several trade promotion events each week for virtually the entire year. This activity attracts relatively large crowds from the public--hence the need for security.

The trade center in Moscow, now active again, will be used for a wide range of trade promotion themes. Accordingly, there is a need for security, particularly acoustic countermeasures.

The U.S. Foreign Commercial Service office in Hong Kong is located outside the consulate general in a commercial office building. A security survey of the facility has not been conducted since February, 1984.

Question 23:

Please provide a priority listing of the public access control upgrade program for 1986 and 1987.

Answer:

Public Access Control projects in priority order for FY 1986 and 1987 are:

POST - 1986

AF	1.	MONROVIA	1986
NEA	2.	CASABLANCA	1986
NEA	3.	RABAT	1986
NEA	4.	TANGIER	1986
NEA	5.	TUNIS	1986
AF	6.	ACCRA	1986
NEA	7.	ALEXANDRIA	1986
NEA	8.	BAGHDAD	1986
AF	9.	NDJAMENA	1986
EUR	10.	VALETTA	1986
EUR	11.	HELSINKI	1986
EUR	12.	CALGARY	1986
EUR	13.	STOCKHOLM	1986
EUR	14.	STUTTGART	1986
NEA	15.	NEW DELHI	1986
NEA	16.	COLOMBO	1986
NEA	17.	JEDDAH	1986
NEA	18.	DHAHRAN	1986
EUR	19.	BELGRADE	1986
AF	20.	HARARE	1986
AF	21.	LUSAKA	1986
EAP	22.	BEIJING	1986
EAP	23.	SHENYANG	1986
EAP	24.	WUHAN	1986
EAP	25.	CHENGDU	1986
EAP	26.	GUANJZHOU	1986
AF	27.	NIAMEY	1986
AF	28.	BANGUI	1986
AF	29.	DAKAR	1986
ARA	30.	MONTERREY	1986
ARA	31.	MERIDA	1986
AF	32.	BUJUMBURA	1986
AF	33.	LILONGWE	1986
AF	34.	CONAKRY	1986
AF	35.	LOME	1986
AF	36.	LIBREVILLE	1986
AF	37.	MBABANE	1986
AF	38.	MASERU	1986
NEA	39.	KABUL	1986
ARA	40.	SAN SALVADOR	1986
ARA	41.	QUITO	1986
AF	42.	PRETORIA	1986
EUR	43.	BUDAPEST	1986
EUR	44.	BRUSSELS USEC	1986
EUR	45.	ATHENS	1986
EUR	46.	OPORTO	1986
ARA	47.	PORT-OF-SPAIN	1986
EUR	48.	PRAGUE	1986

POSTS - 1987

EUR	1. BUCHAREST	1987
AF	2. BRAZZAVILLE	1987
EUR	3. FRANKFURT	1987
EUR	4. STRASBOURG	1987
EUR	5. THESSALONIKI	1987
ARA	6. SANTO DOMINGO	1987
AF	7. KINSHASA	1987
AF	8. KINSHASA	1987
AF	9. NAIROBI	1987
EUR	10. BONN	1987
ARA	11. PORT-AU-PRINCE	1987
EAP	12. TOKYO	1987
ARA	13. BUENOS AIRES	1987
AF	14. CAPETOWN	1987
EUR	15. FORT-DE-FRANCE	1987
EUR	16. EDINBURGH	1987
EUR	17. LENINGRAD	1987
AF	18. PRAIA	1987
EAP	19. CEBU	1987
EAP	20. SONGKHLA	1987
ARA	21. RIO DE JANEIRO	1987
ARA	22. SANTO DOMINGO	1987
ARA	23. SAO PAULO	1987
AF	24. DURBAN	1987
AF	25. LUBUMBASHI	1987
NEA	26. DUBAI	1987
EAP	27. MEDAN	1987
EAP	28. PUSAN	1987
EAP	29. SURABAYA	1987
EAP	30. UDORN	1987
EUR	31. BILBOA	1987
EUR	32. BELFAST	1987
EUR	33. VIENNA UNVIE	1987
EUR	34. VIENNA MBFR	1987
EUR	35. VIENNA MARR	1987
EUR	36. ANTWERP	1987
EAP	37. HONG KONG	1987
EAP	38. CANBERRA	1987
AF	39. JOHANNESBURG	1987
AF	40. BAMAKO	1987

Question 24:

Provide a priority listing of the generator program for 1987.

Answer:

The priority listing for emergency generator installations is as follows:

1. Accra, Ghana	$225,000	18. Tangier, Morocco	$ 30,000
2. Monrovia, Liberia	285,000	19. Kuwait, Kuwait	45,000
3. Dakar, Senegal	70,000	20. New Delhi, India	75,000
4. Niamey, Niger	300,000	21. Madrid, Spain	110,000
5. Bujumbura, Burundi	60,000	22. Dhaka, Bangladesh	75,000
6. Santiago, Chile	45,000	23. Jakarta, Indonesia	65,000
7. Panama	60,000	24. Seoul, Korea	45,000
8. Beijing, PRC	45,000	25. Rome, Italy	75,000
9. Alexandria, Egypt	60,000	26. Copenhagen, Denmark	40,000
10. Baghdad, Iraq	45,000	27. Manila, Philippines	395,000
11. Calcutta, India	75,000	28. Belgrade, Yugoslavia	30,000
12. Khartoum, Sudan	60,000	29. Tegucigalpa, Honduras	45,000
13. Kathmandu, Nepal	75,000	30. Rio de Janeiro, Brazil	80,000
14. Kampala, Uganda	45,000	31. Caracas, Venezuela	45,000
15. Marseille, France	30,000	32. Lima, Peru	45,000
16. Sanaa, Yemen	50,000	33. Dar Es Salaam, Tanzania	700,000
17. Addis Ababa, Ethiopia	180,000	34. Montevideo, Uruguay	75,000

Question 25:

Please provide a priority listing of communications center renovations requested for 1987.

Answer:

Communications center renovations proposed for 1987 in order of priority are:

Lumbumbashi
Lusaka
N'Djamena
Maseru
Nouakchott
Hermosillo
Casablanca

Question 26:

Please explain the criteria used to arrive at the request for site purchases for the following projects: Caracas ($10,000,000); Amman ($7,000,000); Kampala ($10,000,000); Lima ($12,000,000); Ankara ($2,600,000); Athens ($10,000,000); Berlin ($11,000,000); Brussels ($7,500,000); Budapest ($10,000,000); Prague ($16,000,000); Jerusalem ($10,000,000); Tel Aviv ($15,218,000); Istanbul ($12,650,000); and Vienna ($25,000,000).

Answer:

CARACAS ($10,000,000): Undeveloped tracts of land in Caracas are difficult to find. The post has suggested acquiring park land which is adjacent to the existing chancery. The site is in a prime commercial area where property of 7-10 acres sells for $11-12 million. In recent correspondence, post indicated that the site could probably be acquired for $9-10 million. In preparation for the site selection scheduled for April 14-18, post officers relate that they have found some large undeveloped sites in the suburbs where the average cost is approximately $950,000 per acre. Hopefully, the Department can acquire 10 acres for the new chancery for under $10 million.

AMMAN ($7,000,000): Approximately $7.5 million will be spent on the 13.9 acre site acquisition; the exact figure will be determined after negotiations are concluded for municipal easements through the property which A/FBO must purchase.

Two site survey teams visited Amman and considered 23 sites, and found costs per acre varying between approximately $300,000 and $900,000 per acre. The major criteria at this high threat post was to consolidate the scattered mission office, GSO Annexes and warehouses, and recreational functions on one location and to provide secure housing for the Ambassador and the Marine Security Guard Detachment. Also, the Office of Communications (OC/CSA) required a site with at least moderate elevation.

Ultimately, four sites were studied in depth. The site chosen, the New Abdoun site, was large enough to accommodate the various Mission elements described above, was acceptable to OC/CSA, and had the relatively attractive price of $486,100 per acre, plus the easements.

KAMPALA ($10,000,000): Due to the continuing unstable conditions in Kampala, FBO and Post Management decided it would be prudent to develop a self-contained secure compound for USG personnel serving there. The cost for 50 acres should be $6.6 million as opposed to $10 million as shown in the budget.

The site which has been located is roughly equidistant from Kampala and Entebbe and is owned by a British firm which plans to develop the surrounding area into a modern residential project. The title is clear, which is a rarity in a country where lands have been confiscated several times and title documents have not been updated. The post's response to FBO's August cable was that seven acres of land could be obtained for $20,000 - 100,000. In all likelihood, that land would not a) permit compound development; b) have clear title; or c) be suitable for our security and communications needs.

LIMA ($12,000,000): In September 1985 Lima responded to the FBO query about the costs of site acquisition with an estimation that land in the city, if available, would average $900,000 per acre. In fact, large, undeveloped tracts of land in the city of Lima are extremely difficult to locate. Costs for land rise continuously as investors attempt to shelter money from a prolonged 10% inflation factor.

Since the Lima site will not be purchased until FY-87, FBO allowed for inflation and extrapolated 87 costs to be $12 million.

ANKARA ($2,600,000): Due to the unavailability of adequate sites in Ankara that meet established security and other requirements, the Department decided to construct on the existing chancery premises. However, to establish a secure perimeter the Post is negotiating with the GOT to acquire a 1.1 acre lot contiguous to the Embassy site.

ATHENS ($10,000,000): The basis for purchasing this site relates primarily to security. If the owners are successful in selling this property to developers planning to construct a high rise hotel in proximity to the the chancery site, it could present serious security problems. Post suggested acquiring this 3.5 acre site, already under USG lease, adjacent to Embassy property . Post estimated cost of site between $10 and $15 million. Department believes that $10 million will be sufficient.

BERLIN ($11,000,000): In August 1985, Berlin responded to Department's telegram requesting approximate cost for 7 to 10 acre site within city of Berlin. Post related that sites of the size required would only be available on the outskirts of the city at estimated cost of 22,264,000,000 E. German Marks for a 10 acre site. This equates to $10,120,000 at present exchange rate.

BRUSSELS ($7,500,000): Post responded to Department's request for site acquisition costs by stating that a ten acre site within the city would be most difficult to find and, if found, would cost $1,200,000 per acre, while ten acre sites in the outer suburbs would cost $300,000 per acre. Budget figure of $7,500,000 ($750,000 per acre) is based on desire to locate a site between these two extremes.

BUDAPEST ($10,000,000): In response to Department's request, Post reported that any new site acquisition would have to be negotiated on the basis of reciprocity. Although it is very difficult to determine property values in a society where the free market does not determine land values, Post recommended that up to $6 million be budgeted for an appropriate site. FBO increased this to $10 million to cover all other contingencies which we have previously experienced in Budapest in connection with property acquisition, i.e., service charges tacked on to purchase price by GOH, resettlement costs related to relocating private Hungarian citizens required to move and similar costs.

PRAGUE ($16,000,000): Prague responded to Department's request for site acquisition costs by stating that any new site would have to be acquired through the GOC, and would be based on reciprocity, i.e., what would a ten acre site cost the GOC in Washington, D.C., and the real property requirements the GOC would want in the U.S.A. at the time of site negotiations. The $16 million figure used in the budget would be the upper limit according to FBO cost estimates. It is impossible to determine real acquisition cost until negotiations begin.

JERUSALEM ($10,000,000): The funds requested are based on the estimated commercial value of enough land in Jerusalem on which to construct an office building which will consolidate our present two office buildings and scattered short-term leased office space.

TEL AVIV ($15,218,000): The funds requested are based on the estimated commercial value of enough land in Tel Aviv on which to construct an office building and annex which will consolidate our present offices, USIA, and FBIS.

ISTANBUL ($12,650,000): In August 1985 a five-member site selection team from FBO visited Istanbul and developed the following site costs:

1) Property close to a technical university, a stadium, and hotels: a 4.3 acre site would cost $7,000,000 ($400/sq.m.)

2) A 9.9 acre site to be developed by the Government of Turkey Bank of Tourism with provision for hotels and a convention center would cost $6 million ($150/sq.m.)

3) A 10.9 acre area in a commercial district would cost $88 million ($2,000/sq.m.)

4) A 20.75 acre, undeveloped residential area would cost $13 million ($155/sq.m.)

5) A 10.13 acre residential site would cost $20 million ($487/sq.m.)

The team noted that strong competition in the real estate market is very evident, attributable to the new government and its challenging economic policies which make investments attractive.

The interagency team recommended site "4" as the only available site that meets all agency security and site requirements. However, only the full 20.75 acres is for sale. The site cannot be subdivided. Acquisition of the full site would make it possible to evenutally construct fifty residential units, including a MSG residence, on the grounds. Such future construction on site would benefit the USG from a cost and security standpoint.

VIENNA ($25,000,000): The post reported that acquisition costs for a developed site in Vienna's proposed redevelopment area would be $1.87 million per acre. The costs for a central location would rise to $7.1-10.2 million per acre, but no 7-10 acre site exists in the city center.

FBO took the post's lower estimate for property at the city's outer edge and increased it by approximately one third to allow for probable additional costs associated with the consolidation of three U.S. Missions. The U.S. Embassy, the US Mission MBFR, and the US Mission UNVIE will all be co-located and each Mission will have its own Ambassador and staff.

Question 27:

Does the State Department consider it a wise use of public funds to expend $13,190,000 to construct a new consulate office building in Izmir for seven Americans, or $24,752,000 to construct a new consulate office building in Alexandria for fifteen Americans?

Answer:

Izmir is an important industrial port city where the United States has established a sizable military and civilian presence. The post is on the Department's list of high threat posts. The present consulate office building occupies one floor of a commercial office building situated between two busy thoroughfares in the downtown area. These quarters cannot be adequately protected.

Alexandria is Egypt's second largest city and strategically one of the most important ports on the Mediterranean. The existing Consulate Office Building (owned by the USG) is located in the downtown commercial area and does not have adequate setback from the street.

Question 28:

Bogota and Jerusalem were not included in the original list of capital projects as recommended by the Inman panel. Why are they included now?

Answer:

The Jerusalem Consulate was included in the original list of capital projects. The 18,000 square foot Bogota Annex was also on the original list; however, following a recent terrorist incident which occurred on the perimeter of the previously leased Annex, personnel were compelled to move from this high rise property into the chancery located across the street. As a result, the chancery is grossly overcrowded and does not meet security standards for office buildings.

Question 29:

Provide a summary of the sites acquired for the 1986 and 1987 capital projects, and the costs in each case.

Answer:

The following is a summary of sites acquired for the 1986 and 1987 capital projects and the costs in each case.

Yr	Post	Site Area (in acres)	Yr/Acq	Cost
86	Tegucigalpa	1.65	1984	$ 308,000
86	La Paz	1.1	1979	1,600,000
86	Kingston	4.0	1979	557,000*
86	Georgetown	1.8	1963	90,000
86	Djibouti**			
86	Mogadishu	147.0	1961	Gift to USG
	Nicosia	4.5	1984	1,600,000
	Geneva**			
85	Amman	13.5	1985	4,400,000
82	Dhaka***	10.0	1982	336,000
85	Manama	2.5	1986	402,179
80	Muscat	3.1	1980	790,000
85	Sanaa	13.1	1985	3,180,835
85	Pretoria	5.0	1985	2,187,000

* An additional $2 million has been requested to purchase a contiguous site to meet security standards.

** Existing chancery compound

*** Land exchange with GOB (A different downtown site was acquired in 1964)

Question:

30. Why is the request for an alternate ADP facility included in the security supplemental request? How is this security related?

Answer:

The Department of State has no disaster recovery capability for its domestic or overseas automated data processing operations. Bombings, sabotage, civil unrest or natural disasters could bring State's data processing operations to a prolonged halt. This major vulnerability was identified in the Secretary's Internal Controls Report of December, 1985, to the President and the Congress. It was a serious vulnerability then, and it still exists today.

The security of the Department's information assets is second in importance only to the security of our personnel. Increasingly, critical information resides on computer systems. For example, the Office of the Secretary controls its document flow with an automated data index. Both this system and the Department's large classified central foreign policy file reside on a mainframe computer. Loss of this information or lack of availability during a prolonged outage would seriously impact the foreign policy process.

Another highly sensitive system is the Automated Visa Lookout System. This also resides on a Departmental mainframe and is accessed by over 70 Foreign Service posts over telecommunications lines, on an on-line basis. The system is dedicated to denying entry to the U.S. of undesirables and is one of our anti-terrorist capabilities.

The alternate site will house the data processing capability needed to backup critical systems such as those cited above. It will be collocated with the Department's alternate communications facility, already under construction, which provides worldwide telecommunications access.

The submission to the Congress now contains $25.7 million for FY 1986 and $1.8 million in FY 1987. As stated in the supplemental, these amounts address only the construction of a building and building support systems. The language of the Congressional submission then indicates that additional funding would be requested through the regular budget process, to address the data processing equipment and personnel necessary to backup the Department's critical needs. In this way, these ongoing costs would be reviewed by OMB and phased in over a period of years, as required by budget limitations.

Question:

31. The Embassy in Khartoum has been identified by the State Department as being faced with serious potential threats of terrorist attack and mob violence. Against that threat you are requesting an increase of 17 Americans, or 25 percent, over that post's current strength. Do we not add to our security concerns when we increase our presence at high threat posts?

Answer:

We do add to security concerns by increasing our presence at high threat posts, but certain functions must be maintained. Even though Khartoum is a high threat post, there are benefits which can only be gained by increasing personnel despite the threat level.

Question:

32. The FY 1986 Security Supplemental includes a request for 595 new security related positions, which includes 126 positions for the protection of foreign dignitaries and missions in the U.S. Of the remaining 469

positions, 328 are clearly identified as positions here in the United States, and frankly of the remaining 141 it was difficult to determine exactly how many would be posted at overseas locations. I am very concerned that our approach to resolving overseas security concerns seems to be by building a bureaucracy here in Washington. How do you respond?

Answer:

Of the 595 positions requested in the Supplemental, 113 will be overseas and 482 will be domestic. The domestic positions fall into one of three categories: a) central direction of overseas security programs, such as residential and physical security, construction projects, counterterrorism and technical countermeasures; b) providing necessary management and administrative support to these programs in areas such as training, automated systems and systems security, communications, and logistical services such as procurement, shipping and personnel and financial support; and c) additional professional security personnel for the protection of visiting dignitaries and resident diplomatic personnel in the U.S. Thus, these domestic positions are directly supporting the security of our overseas personnel and facilities, as well as the security of foreign officials within the U.S. In fact, there will be considerable travel overseas by these domestic personnel for purposes of inspection, on-site monitoring of program performance, training, responding to crisis situations, and related activities.

Question:

33. You're proposing a new security training center. Can't many of the security training functions be contracted out, or can't the FBI, the Secret Service, the Customs Service, or the Defense Department provide security training on a reimbursable basis? Has the Department approached private contractors or other government agencies for an estimate of contracted or reimbursed security training? If so, what were their recommendations and funding requirements? If not, why not?

Answer:

We take advantage of the capabilities of other agencies for training. Much of our training for newly-hired agents takes place at the Treasury Department's Federal Law Enforcement Training Center at Glynco, Georgia. Also, newly-hired Security Engineers attend a training course which serves several government agencies. Also, in Bureau of Diplomatic Security's training center, we make extensive use of contractors, and have course modules delivered by experts from other agencies. We carefully consider the buy/make tradeoffs when planning training. In general, we find it practical and cost-effective to contract for training that does not relate to the specifics of security, e.g., report writing, public speaking, supervision and management, etc. In security subjects, use of our own subject-matter experts is generally more cost-effective. We believe that maintenance of an in-house training capability is necessary to provide the flexibility, quick response, and capability for development of experitse that is an essential component of an effective organization.

Question:

34. In the fiscal year 1985 Supplemental the Congress provided $343.4 million for security programs. As of January 31, 1986, $215.1 million remained uncommitted or unobligated, including $154.2 million in the Foreign Buildings Office. Why is there such a delay? If this delay continues, should funding for the 1986 Supplemental be reduced to reflect the slower obligation of funds?

Answer:

The FY 1985 Security Supplemental includes two categories of funds -- Salaries and Expenses funds, which are available until September 30, 1986; and Foreign Buildings funds, which are available until expended. Approximately $61 million of the original $164 million of Salaries and Expenses funding, or about 37% of the total amount, was uncommitted or unobligated as of Janaury 31, 1986. However, the Department has firm plans for utilizing all remaining funds in this account, and plans to obligate all funds by or before September 30 of this year.

Due to the nature of construction projects, more than 85% of the funds appropriated for Foreign Buildings projects can only be obligated when construction contracts are signed. Of the 13 building projects included in the Supplemental, four contracts (Damascus, Dhaka, Lahore and Mogadishu) have been signed; negotiations are currently underway with bidders on two projects (Muscat and Sanaa); and contracts for 5 projects (Amman, Djibouti, Doha, Manama and Tegucigalpa) are anticipated to be let by the summer of 1986. In Kuwait, we are negotiating with the government to obtain an appropriate site; and the renovation of the Marine House in Cairo is pending the posting of a larger Marine detachment.

Question 35:

In 1987 the Department is proposing to spend $43.5 million on furniture and furnishings for new construction projects. Since most of the 21 projects will take a number of years to complete, why is the request being made now?

Answer:

Furniture and furnishings are included in the budget because they are part of total project costs, although not part of total construction costs. The budgeting for furniture could be deferred to the FY in which the construction of the building is expected to be completed. However, in so doing, the precise cost for a total project, i.e. for a fully functioning building, would not be represented by a single appropriation within the capital project portion of either the FY 86 supplemental or the FY 87 budget.

Question 36:

Does the Department intend that the United States go into arrears for half of its assessed contribution to UNIFIL in 1986?

Answer:

No, it is not the intention of the Department to go into arrears for peacekeeping operations in 1986 should the UNIFIL mandate be renewed for the period April 19, 1986 through October 18, 1986. However, no decision has yet been reached as to how the assessment for that period would be paid if the mandate is renewed.

Question 37:

Provide a summary of the back dues owed by member states to the United Nations as of January 1, 1986. Include a similar summary of back dues owed peacekeeping operations.

Answer:

Attached are tables prepared by the UN showing the balances due the UN for both regular budget and peacekeeping activities. The U.S. made an additional payment of $38.4 million toward the 1985 payment in January, reducing our arrearage by a similar figure.

Annex II

STATUS OF CONTRIBUTIONS TO THE UNITED NATIONS REGULAR BUDGET AS AT 31 DECEMBER 1985

(UNITED STATES DOLLARS)

MEMBER STATES	1985 SCALE OF ASSESSMENTS	CONTRIBUTIONS PAYABLE AS AT 1 JANUARY 1985			COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING AS AT 31 DECEMBER 1985		
		PRIOR YEARS	CURRENT YEAR	TOTAL		PRIOR YEARS	CURRENT YEAR	TOTAL
AFGHANISTAN	.01	-	65 814	65 814	65 814		-	-
ALBANIA	.01	9 803	65 814	75 617	75 000	-	617	617
ALGERIA	.13	-	855 587	855 587	855 587	-	-	-
ANGOLA	.01	157 077	65 814	222 891	84 303	72 774	65 814	138 588
ANTIGUA AND BARBUDA	.01	50 600	65 814	116 414	80 000	-	36 414	36 414
ARGENTINA	.71	4 542 037	4 672 821	9 214 858	270 894	4 271 143	4 672 821	8 943 964
AUSTRALIA	1.57	-	10 332 858	10 332 858	10 332 858	-	-	-
AUSTRIA	.75	-	4 936 078	4 936 078	4 936 078	-	-	-
BAHAMAS	.01	-	65 814	65 814	65 814	-	-	-
BAHRAIN	.01	-	65 814	65 814	65 814	-	-	-
BANGLADESH	.03	-	197 443	197 443	197 443	-	-	-
BARBADOS	.01	32 323	65 814	98 137	98 137	-	-	-
BELGIUM	1.28	1 281 111	8 424 240	9 705 351	9 705 351	-	-	-
BELIZE	.01	-	65 814	65 814	-	-	65 814	65 814
BENIN	.01	124 138	65 814	189 952	59 169	64 969	65 814	130 783
BHUTAN	.01	-	65 814	65 814	-	-	65 814	65 814
BOLIVIA	.01	175 738	65 814	241 552	128 952	46 786	65 814	112 600
BOTSWANA	.01	-	65 814	65 814	65 814	-	-	-
BRAZIL	1.39	16 596 022	9 148 199	25 744 221	9 766 329	6 829 693	9 148 199	15 977 892
BRUNEI DARUSSALAM	.03	-	219 099 a/	219 099	219 099	-	-	-
BULGARIA	.18	768 357	1 184 659	1 953 016	1 207 122	-	745 894	745 894
BURKINA FASO	.01	122 902	65 814	188 716	129 867	-	58 849	58 849
BURMA	.01	-	65 814	65 814	65 814	-	-	-
BURUNDI	.01	173 383	65 814	239 197	172 597	786	65 814	66 600
BYELORUSSIAN SOVIET SOCIALIST REPUBLIC	.36	1 897 478	2 369 317	4 266 795	2 429 121	-	1 837 674	1 837 674
CAMEROON	.01	84 062	65 814	149 876	(3 763) b/	87 825	65 814	153 639
CANADA	3.08	-	20 270 827	20 270 827	20 270 827	-	-	-
CAPE VERDE	.01	123 803	65 814	189 617	58 834	64 969	65 814	130 783
CENTRAL AFRICAN REPUBLIC	.01	147 502	65 814	213 316	84 324	63 178	65 814	128 992
CHAD	.01	197 521	65 814	263 335	263 335	-	-	-

MEMBER STATES	1985 SCALE OF ASSESSMENTS	CONTRIBUTIONS PAYABLE AS AT 1 JANUARY 1985			COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING AS AT 31 DECEMBER 1985		
		PRIOR YEARS	CURRENT YEAR	TOTAL		PRIOR YEARS	CURRENT YEAR	TOTAL
CHILE	.07	-	460 701	460 701	460 701	-	-	-
CHINA	.88	4 252 876	5 791 666	10 044 542	5 717 882	-	4 326 660	4 326 660
COLOMBIA	.11	-	723 958	723 958	-	-	723 958	723 958
COMOROS	.01	184 252	65 814	250 066	101 597	82 655	65 814	148 469
CONGO	.01	8 716	65 814	74 530	74 530	-	-	-
COSTA RICA	.02	52 467	131 629	184 096	141 046	-	43 050	43 050
CUBA	.09	611 182	592 329	1 203 511	697 657	-	505 854	505 854
CYPRUS	.01	-	65 814	65 814	65 814	-	-	-
CZECHOSLOVAKIA	.76	2 418 958	5 001 893	7 420 851	4 938 170	-	2 482 681	2 482 681
DEMOCRATIC KAMPUCHEA	.01	182 282	65 814	248 096	71 200	111 082	65 814	176 896
DEMOCRATIC YEMEN	.01	-	65 814	65 814	65 814	-	-	-
DENMARK	.75	-	4 936 078	4 936 078	4 936 078	-	-	-
DJIBOUTI	.01	175 009	65 814	240 823	35 100	139 909	65 814	205 723
DOMINICA	.01	95 640	65 814	161 454	-	95 640	65 814	161 454
DOMINICAN REPUBLIC	.03	194 905	197 443	392 348	59 381	135 524	197 443	332 967
ECUADOR	.02	40 383	131 629	172 012	143 952	-	28 060	28 060
EGYPT	.07	-	460 701	460 701	-	-	460 701	460 701
EL SALVADOR	.01	197 976	65 814	263 790	71 200	126 776	65 814	192 590
EQUATORIAL GUINEA	.01	188 515	65 814	254 329	71 200	117 315	65 814	183 129
ETHIOPIA	.01	-	65 814	65 814	65 814	-	-	-
FIJI	.01	-	65 814	65 814	65 814	-	-	-
FINLAND	.48	-	3 159 090	3 159 090	3 159 090	-	-	-
FRANCE	6.51	4 357 157	42 845 156	47 202 313	42 845 156	-	4 357 157	4 357 157
GABON	.02	199 677	131 629	331 306	201 979	-	129 327	129 327
GAMBIA	.01	154 366	65 814	220 180	21 248	133 118	65 814	198 932
GERMAN DEMOCRATIC REPUBLIC	1.39	3 409 651	9 148 199	12 557 850	8 752 427	-	3 805 423	3 805 423
GERMANY, FEDERAL REPUBLIC OF	8.54	-	56 205 474	56 205 474	56 205 474	-	-	-
GHANA	.02	-	131 629	131 629	131 629	-	-	-
GREECE	.40	-	2 632 575	2 632 575	2 632 575	-	-	-
GRENADA	.01	118 077	65 814	183 891	122 460	-	61 431	61 431
GUATEMALA	.02	129 937	131 629	261 566	-	129 937	131 629	261 566
GUINEA	.01	-	65 814	65 814	-	-	65 814	65 814
GUINEA-BISSAU	.01	180 250	65 814	246 064	39 100	141 150	65 814	206 964
GUYANA	.01	17 009	65 814	82 823	-	17 009	65 814	82 823
HAITI	.01	165 623	65 814	231 437	202 123	-	29 314	29 314

MEMBER STATES	1985 SCALE OF ASSESSMENTS	CONTRIBUTIONS PAYABLE AS AT 1 JANUARY 1985			COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING AS AT 31 DECEMBER 1985		
		PRIOR YEARS	CURRENT YEAR	TOTAL		PRIOR YEARS	CURRENT YEAR	TOTAL
HONDURAS	.01	-	65 814	65 814	33 804	-	32 010	32 010
HUNGARY	.23	1 481 040	1 513 731	2 994 771	1 775 197	-	1 219 574	1 219 574
ICELAND	.03	-	197 443	197 443	197 443	-	-	-
INDIA	.36	47 662	2 369 317	2 416 979	2 370 828	-	46 151	46 151
INDONESIA	.13	-	855 587	855 587	855 587	-	-	-
IRAN (ISLAMIC REPUBLIC OF)	.58	3 683 971	3 817 234	7 501 205	25 685	3 658 286	3 817 234	7 475 520
IRAQ	.12	-	789 772	789 772	789 772	-	-	-
IRELAND	.18	-	1 184 659	1 184 659	1 184 659	-	-	-
ISRAEL	.23	2 836 060	1 513 731	4 349 791	1 341 784	1 494 276	1 513 731	3 008 007
ITALY	3.74	-	24 614 576	24 614 576	24 614 576	-	-	-
IVORY COAST	.03	281 672	197 443	479 115	479 115	-	-	-
JAMAICA	.02	9 065	131 629	140 694	74 880	-	65 814	65 814
JAPAN	10.32	-	67 920 430	67 920 430	67 920 430	-	-	-
JORDAN	.01	-	65 814	65 814	65 814	-	-	-
KENYA	.01	-	65 814	65 814	65 814	-	-	-
KUWAIT	.25	-	1 645 360	1 645 360	1 645 360	-	-	-
LAO PEOPLE'S DEMOCRATIC REPUBLIC	.01	123 803	65 814	189 617	65 814	57 989	65 814	123 803
LEBANON	.02	101 937	131 629	233 566	101 937	-	131 629	131 629
LESOTHO	.01	-	65 814	65 814	48 090	-	17 724	17 724
LIBERIA	.01	101 877	65 814	167 691	66 513	35 364	65 814	101 178
LIBYAN ARAB JAMAHIRIYA	.26	3 218 887	1 711 173	4 930 060	2 499 705	719 182	1 711 173	2 430 355
LUXEMBOURG	.06	-	394 887	394 887	394 887	-	-	-
MADAGASCAR	.01	103 130	65 814	168 944	168 944	-	-	-
MALAWI	.01	-	65 814	65 814	65 814	-	-	-
MALAYSIA	.09	-	592 329	592 329	592 329	-	-	-
MALDIVES	.01	78 597	65 814	144 411	78 597	-	65 814	65 814
MALI	.01	84 492	65 814	150 306	23 089	61 403	65 814	127 217
MALTA	.01	-	65 814	65 814	65 814	-	-	-
MAURITANIA	.01	160 777	65 814	226 591	111 773	49 004	65 814	114 818
MAURITIUS	.01	-	65 814	65 814	4 083	-	61 731	61 731
MEXICO	.88	-	5 791 666	5 791 666	5 779 909	-	11 757	11 757
MONGOLIA	.01	59 349	65 814	125 163	64 975	-	60 188	60 188
MOROCCO	.05	-	329 072	329 072	329 072	-	-	-
MOZAMBIQUE	.01	-	65 814	65 814	65 814	-	-	-
NEPAL	.01	-	65 814	65 814	65 814	-	-	-

MEMBER STATES	1985 SCALE OF ASSESSMENTS	CONTRIBUTIONS PAYABLE AS AT 1 JANUARY 1985			COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING AS AT 31 DECEMBER 1985		
		PRIOR YEARS	CURRENT YEAR	TOTAL		PRIOR YEARS	CURRENT YEAR	TOTAL
NETHERLANDS	1.70	-	11 714 958	11 714 958	11 714 958	-	-	-
NEW ZEALAND	.26	-	1 711 173	1 711 173	1 711 173	-	-	-
NICARAGUA	.01	181 252	65 814	247 066	40 000	141 252	65 814	207 066
NIGER	.01	80 007	65 814	145 821	-	80 007	65 814	145 821
NIGERIA	.19	1 343 347	1 250 473	2 593 820	2 171 805	-	422 015	422 015
NORWAY	.51	-	3 356 533	3 356 533	3 356 533	-	-	-
OMAN	.01	-	65 814	65 814	65 814	-	-	-
PAKISTAN	.06	19 692	394 887	414 579	414 579	-	-	-
PANAMA	.02	-	131 629	131 629	131 629	-	-	-
PAPUA NEW GUINEA	.01	-	65 814	65 814	65 814	-	-	-
PARAGUAY	.01	182 282	65 814	248 096	71 200	111 082	65 814	176 896
PERU	.07	1 093 969	460 701	1 554 670	387 268	706 701	460 701	1 167 402
PHILIPPINES	.09	329 004	592 329	921 333	342 299	-	579 034	579 034
POLAND	.72	12 595 401	4 738 636	17 334 037	10 264 000	2 331 401	4 738 636	7 070 037
PORTUGAL	.18	-	1 184 659	1 184 659	1 184 659	-	-	-
QATAR	.03	-	197 443	197 443	-	-	197 443	197 443
ROMANIA	.19	2 894 983	1 250 473	4 145 456	500 000	2 394 983	1 250 473	3 645 456
RWANDA	.01	-	65 814	65 814	65 814	-	-	-
SAINT CHRISTOPHER AND NEVIS	.01	-	137 320 c/	137 320	73 419	-	63 901	63 901
SAINT LUCIA	.01	185 252	65 814	251 066	44 527	140 725	65 814	206 539
SAINT VINCENT AND THE GRENADINES	.01	-	65 814	65 814	49 360	-	16 454	16 454
SAMOA	.01	199 090	65 814	264 904	199 090	-	65 814	65 814
SAO TOME AND PRINCIPE	.01	64 969	65 814	130 783	64 959	10	65 814	65 824
SAUDI ARABIA	.86	-	5 660 037	5 660 037	5 660 037	-	-	-
SENEGAL	.01	-	65 814	65 814	942	-	64 872	64 872
SEYCHELLES	.01	-	65 814	65 814	65 814	-	-	-
SIERRA LEONE	.01	81 825	65 814	147 639	-	81 825	65 814	147 639
SINGAPORE	.09	-	592 329	592 329	592 329	-	-	-
SOLOMON ISLANDS	.01	-	65 814	65 814	-	-	65 814	65 814
SOMALIA	.01	67 512	65 814	133 326	67 512	-	65 814	65 814
SOUTH AFRICA	.41	21 786 114	2 698 390	24 484 504	-	21 786 114	2 698 390	24 484 504
SPAIN	1.93	-	12 702 174	12 702 174	12 702 174	-	-	-
SRI LANKA	.01	-	65 814	65 814	65 814	-	-	-
SUDAN	.01	64 969	65 814	130 783	64 939	30	65 814	65 844
SURINAME	.01	64 969	65 814	130 783	130 783	-	-	-

MEMBER STATES	1985 SCALE OF ASSESSMENTS	CONTRIBUTIONS PAYABLE AS AT 1 JANUARY 1985			COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING AS AT 31 DECEMBER 1985		
		PRIOR YEARS	CURRENT YEAR	TOTAL		PRIOR YEARS	CURRENT YEAR	TOTAL
SWAZILAND	.01	27 800	65 814	93 614	58 630	-	34 984	34 984
SWEDEN	1.32	-	8 687 498	8 687 498	8 687 498	-	-	-
SYRIAN ARAB REPUBLIC	.03	389 415	197 443	586 858	586 858	-	-	-
THAILAND	.08	-	526 515	526 515	526 515	-	-	-
TOGO	.01	150 966	65 814	216 780	130 558	20 408	65 814	86 222
TRINIDAD AND TOBAGO	.03	-	197 443	197 443	197 433	-	10	10
TUNISIA	.03	-	197 443	197 443	197 443	-	-	-
TURKEY	.32	2 575 546	2 111 667	4 687 213	-	2 575 546	2 111 667	4 687 213
UGANDA	.01	64 969	65 814	130 783	-	64 969	65 814	130 783
UKRAINIAN SOVIET SOCIALIST REPUBLIC	1.32	6 078 124	8 687 498	14 765 622	8 906 778	-	5 858 844	5 858 844
UNION OF SOVIET SOCIALIST REPUBLICS	10.54	42 534 050	69 368 348	111 902 398	71 119 264	-	40 783 134	40 783 134
UNITED ARAB EMIRATES	.16	1 039 497	1 053 030	2 092 527	2 092 527	-	-	-
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND	4.67	-	30 735 312	30 735 312	30 735 312	-	-	-
UNITED REPUBLIC OF TANZANIA	.01	140 237	67 912	208 149	140 242	-	67 907	67 907
UNITED STATES OF AMERICA	25.00	11 503 803	197 897 350	209 401 153	123 886 104	-	85 515 049	85 515 049
URUGUAY	.04	283 875	263 258	547 133	547 133	-	-	-
VANUATU	.01	-	65 814	65 814	65 814	-	-	-
VENEZUELA	.55	396 793	3 619 791	4 016 584	4 016 584	-	-	-
VIET NAM	.02	237 607	131 629	369 236	130 000	107 607	131 629	239 236
YEMEN	.01	17 696	65 814	83 510	83 510	-	-	-
YUGOSLAVIA	.46	3 018 278	3 027 461	6 045 739	3 018 148	130	3 027 461	3 027 591
ZAIRE	.01	248 023	65 814	313 837	255 600	-	58 237	58 237
ZAMBIA	.01	-	65 814	65 814	65 814	-	-	-
ZIMBABWE	.02	117 670	131 629	249 299	90 668	27 002	131 629	158 631
TOTAL	100.04	166 250 070	691 869 253	858 119 323	615 688 143	49 377 534	193 053 646	242 431 180

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a/ Including assessments for 1984.

b/ Transferred to the Trust Fund for South Africa (Secretary-General's note verbale to the Permanent Mission dated 31 January 1985).

c/ Including assessments for 1983 and 1984.

STATUS OF CONTRIBUTIONS TO THE UNITED NATIONS EMERGENCY FORCE (1973) (UNEF)
AND THE UNITED NATIONS DISENGAGEMENT OBSERVER FORCE (UNDOF)

As at 31 DECEMBER 1985

(UNITED STATES DOLLARS)

MEMBER STATES	CONTRIBUTION PAYABLE AS AT 1 JAN 1985	ASSESSMENTS IN 1985 a/	COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD UP TO 30 NOV 82	1 DEC 82 TO 30 NOV 83	1 DEC 83 TO 30 NOV 84	1 DEC 84 TO 30 NOV 85	TOTAL
AFGHANISTAN	3 703	176	-	2 841	340	346	352	3 879
ALBANIA	21 994	352	-	20 271	679	692	704	22 346
ALGERIA	60 526	4 572	-	38 193	8 773	8 984	9 148	65 098
ANGOLA	2 117	176	-	1 255	340	346	352	2 293
ANTIGUA AND BARBUDA	1 184	176	-	-	662	346	352	1 360
ARGENTINA	64 584	24 971	39 592	-	-	-	49 963	49 963
AUSTRALIA	305 511	276 084	581 595	-	-	-	-	-
AUSTRIA	131 883	131 887	263 770	-	-	-	-	-
BAHAMAS	352	352	704	-	-	-	-	-
BAHRAIN	352	352	704	-	-	-	-	-
BANGLADESH	528	528	528	-	-	-	528	528
BARBADOS	698	352	1 044	-	-	-	6	6
BELGIUM	225 596	225 088	450 684	-	-	-	-	-
BELIZE	176	176	-	-	-	-	352	352
BENIN	10 806	176	-	9 944	340	346	352	10 982
BHUTAN	176	176	352	-	-	-	-	-
BOLIVIA	14 026	352	-	12 303	679	692	704	14 378
BOTSWANA	176	176	176	-	-	-	176	176
BRAZIL	306 498	48 885	257 570	-	-	-	97 813	97 813
BRUNEI DARUSSALAM	1 267	1 055	2 322	-	-	-	-	-
BULGARIA	132 116	6 331	65 177	36 048	12 115	12 440	12 667	73 270
BURKINA FASO	3 177	176	176	2 139	340	346	352	3 177
BURMA	698	352	698	-	-	-	352	352
BURUNDI	10 806	176	-	9 944	340	346	352	10 982
BYELORUSSIAN SOVIET SOCIALIST REPUBLIC	823 337	63 306	233 657	278 835	123 125	124 416	126 610	652 986
CAMEROON	698	352	1 050	-	-	-	-	-
CANADA	541 599	541 617	1 083 216	-	-	-	-	-
CAPE VERDE	6 046	176	5 870	-	-	-	352	352
CENTRAL AFRICAN REPUBLIC	21 769	352	298	19 748	679	692	704	21 823
CHAD	10 806	176	10 806	-	-	-	176	176

MEMBER STATES	CONTRIBUTION PAYABLE AS AT 1 JAN 1985	ASSESSMENTS IN 1985 a/	COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD				
				UP TO 30 NOV 82	1 DEC 82 TO 30 NOV 83	1 DEC 83 TO 30 NOV 84	1 DEC 84 TO 30 NOV 85	TOTAL
CHILE	2 464	2 462	4 926	-	-	-	-	-
CHINA	188 265	188 278	376 543	-	-	-	-	-
COLOMBIA	3 872	3 869	3 872	-	-	-	3 869	3 869
COMOROS	7 405	176	-	6 543	340	346	352	7 581
CONGO	21 994	352	-	20 271	679	692	704	22 346
COSTA RICA	-	703	352	-	-	-	351	351
CUBA	21 200	3 165	-	5 586	6 226	6 220	6 333	24 365
CYPRUS	352	352	704	-	-	-	-	-
CZECHOSLOVAKIA	979 733	133 646	396 298	-	187 137	262 656	267 288	717 081
DEMOCRATIC KAMPUCHEA	21 994	352	-	20 271	679	692	704	22 346
DEMOCRATIC YEMEN	5 886	176	-	5 024	340	346	352	6 062
DENMARK	131 883	131 887	263 770	-	-	-	-	-
DJIBOUTI	1 861	176	-	999	340	346	352	2 037
DOMINICA	2 571	176	-	1 709	340	346	352	2 747
DOMINICAN REPUBLIC	12 664	1 055	-	7 500	2 036	2 072	2 111	13 719
ECUADOR	1 084	703	1 347	-	-	-	440	440
EGYPT	2 464	2 462	4 926	-	-	-	-	-
EL SALVADOR	7 327	352	-	5 604	679	692	704	7 679
EQUATORIAL GUINEA	15 761	352	-	14 038	679	692	704	16 113
ETHIOPIA	1 179	176	1 355	-	-	-	-	-
FIJI	352	352	352	-	-	-	352	352
FINLAND	84 405	84 408	168 813	-	-	-	-	-
FRANCE	1 392 735	1 392 832	1 392 735	-	-	-	1 392 832	1 392 832
GABON	10 674	703	-	7 227	1 359	1 384	1 407	11 377
GAMBIA	-	352	352	-	-	-	-	-
GERMAN DEMOCRATIC REPUBLIC	1 879 785	244 430	729 045	-	425 933	480 384	488 853	1 395 170
GERMANY, FEDERAL REPUBLIC OF	1 501 707	1 501 757	3 003 464	-	-	-	-	-
GHANA	704	703	1 407	-	-	-	-	-
GREECE	14 080	14 068	28 148	-	-	-	-	-
GRENADA	1 020	176	-	158	340	346	352	1 196
GUATEMALA	2 767	703	-	-	679	1 384	1 407	3 470
GUINEA	315	176	176	-	-	-	315	315
GUINEA-BISSAU	692	176	-	-	170	346	352	868
GUYANA	698	352	-	-	-	346	704	1 050
HAITI	10 142	176	-	9 280	340	346	352	10 318

MEMBER STATES	CONTRIBUTION PAYABLE AS AT 1 JAN 1985	ASSESSMENTS IN 1985 a/	COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD				
				UP TO 30 NOV 82	1 DEC 82 TO 30 NOV 83	1 DEC 83 TO 30 NOV 84	1 DEC 84 TO 30 NOV 85	TOTAL
HONDURAS	-	352	-	-	-	-	352	352
HUNGARY	143 303	8 089	60 000	43 124	16 189	15 894	16 185	91 392
ICELAND	5 276	5 276	10 552	-	-	-	-	-
INDIA	12 672	12 661	25 333	-	-	-	-	-
INDONESIA	4 576	4 572	4 576	-	-	-	4 572	4 572
IRAN (ISLAMIC REPUBLIC OF)	232 811	20 399	-	132 511	39 796	40 088	40 815	253 210
IRAQ	112 684	4 220	-	92 014	8 152	8 294	8 444	116 904
IRELAND	31 652	31 653	63 305	-	-	-	-	-
ISRAEL	8 678	8 089	16 735	-	-	-	32	32
ITALY	1 303 928	657 677	1 303 928	-	-	-	657 677	657 677
IVORY COAST	3 128	1 055	4 183	-	-	-	-	-
JAMAICA	767	703	1 470	-	-	-	-	-
JAPAN	3 598 006	1 814 768	3 598 006	-	-	-	1 814 768	1 814 768
JORDAN	698	352	1 050	-	-	-	-	-
KENYA	698	352	352	-	-	-	698	698
KUWAIT	8 800	8 792	17 592	-	-	-	-	-
LAO PEOPLE'S DEMOCRATIC REPUBLIC	2 654	176	-	1 792	340	346	352	2 830
LEBANON	21 807	703	21 103	-	-	-	1 407	1 407
LESOTHO	176	176	-	-	-	-	352	352
LIBERIA	14 848	352	-	13 125	679	692	704	15 200
LIBYAN ARAB JAMAHIRIYA	233 061	9 144	-	188 445	17 494	17 970	18 296	242 205
LUXEMBOURG	10 551	10 551	21 102	-	-	-	-	-
MADAGASCAR	2 660	352	474	463	679	692	704	2 538
MALAWI	175	176	175	-	-	-	176	176
MALAYSIA	-	3 165	3 165	-	-	-	-	-
MALDIVES	997	176	-	135	340	346	352	1 173
MALI	323	176	-	-	-	147	352	499
MALTA	698	352	698	-	-	-	352	352
MAURITANIA	12 261	352	-	10 538	679	692	704	12 613
MAURITIUS	648	352	-	-	-	296	704	1 000
MEXICO	61 388	30 949	92 337	-	-	-	-	-
MONGOLIA	8 793	352	704	6 366	679	692	704	8 441
MOROCCO	12 123	1 758	-	3 510	3 397	3 456	3 518	13 881
MOZAMBIQUE	8 951	176	-	8 089	340	346	352	9 127
NEPAL	176	176	176	-	-	-	176	176

MEMBER STATES	CONTRIBUTION PAYABLE AS AT 1 JAN 1985	ASSESSMENTS IN 1985 a/	COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD				
				UP TO 30 NOV 82	1 DEC 82 TO 30 NOV 83	1 DEC 83 TO 30 NOV 84	1 DEC 84 TO 30 NOV 85	TOTAL
NETHERLANDS	313 001	313 012	313 001	-	-	-	313 012	313 012
NEW ZEALAND	45 720	45 721	91 441	-	-	-	-	-
NICARAGUA	2 038	352	-	315	679	692	704	2 390
NIGER	1 480	176	-	618	340	346	352	1 656
NIGERIA	20 526	6 682	-	-	706	13 132	13 370	27 208
NORWAY	89 680	89 683	178 808	-	-	-	555	555
OMAN	698	352	704	-	-	-	346	346
PAKISTAN	2 112	2 110	4 222	-	-	-	-	-
PANAMA	21 076	703	680	16 949	1 359	1 384	1 407	21 099
PAPUA NEW GUINEA	176	176	176	-	-	-	176	176
PARAGUAY	21 994	352	-	20 271	679	692	704	22 346
PERU	34 378	2 462	-	22 375	4 699	4 840	4 926	36 840
PHILIPPINES	9 345	3 165	6 418	-	-	-	6 092	6 092
POLAND	126 608	126 612	253 220	-	-	-	-	-
PORTUGAL	12 296	6 331	6 336	-	-	-	12 291	12 291
QATAR	9 560	1 055	-	4 396	2 036	2 072	2 111	10 615
ROMANIA	116 997	6 682	-	84 157	13 020	13 132	13 370	123 679
RWANDA	349	176	176	-	-	-	349	349
SAINT CHRISTOPHER AND NEVIS	530	176	176	-	-	178	352	530
SAINT LUCIA	606	176	606	-	-	-	176	176
SAINT VINCENT AND THE GRENADINES	349	176	173	-	-	-	352	352
SAMOA	1 831	176	1 482	-	-	173	352	525
SAO TOME AND PRINCIPE	1 936	176	-	1 074	340	346	352	2 112
SAUDI ARABIA	59 992	30 245	29 720	-	-	-	60 517	60 517
SENEGAL	-	176	-	-	-	-	176	176
SEYCHELLES	522	176	-	-	-	346	352	698
SIERRA LEONE	12 956	352	-	11 233	679	692	704	13 308
SINGAPORE	3 168	3 165	6 333	-	-	-	-	-
SOLOMON ISLANDS	2 401	176	-	1 539	340	346	352	2 577
SOMALIA	1 179	176	-	317	340	346	352	1 355
SOUTH AFRICA	3 073 380	72 098	-	2 720 044	139 544	141 696	144 194	3 145 478
SPAIN	202 652	67 877	270 529	-	-	-	-	-
SRI LANKA	352	352	704	-	-	-	-	-
SUDAN	511	176	-	-	-	335	352	687
SURINAME	1 260	176	1 260	-	-	-	176	176

MEMBER STATES	PAYABLE AS AT 1 JAN 1985	ASSESSMENTS IN 1985 a/	COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD				
				UP TO 30 NOV 82	1 DEC 82 TO 30 NOV 83	1 DEC 83 TO 30 NOV 84	1 DEC 84 TO 30 NOV 85	TOTAL
SWAZILAND	21 994	352	-	20 271	679	692	704	22 346
SWEDEN	232 115	232 122	464 237	-	-	-	-	-
SYRIAN ARAB REPUBLIC	32 306	1 055	-	27 142	2 036	2 072	2 111	33 361
THAILAND	2 816	2 814	5 630	-	-	-	-	-
TOGO	2 026	352	-	303	679	692	704	2 378
TRINIDAD AND TOBAGO	1 056	1 055	1 056	-	-	-	1 055	1 055
TUNISIA	2 092	1 055	2 112	-	-	-	1 035	1 035
TURKEY	15 530	11 254	26 328	-	-	-	456	456
UGANDA	7 880	176	-	7 018	340	346	352	8 056
UKRAINIAN SOVIET SOCIALIST REPUBLIC	3 061 267	232 122	856 744	1 063 908	452 308	456 192	464 237	2 436 645
UNION OF SOVIET SOCIALIST REPUBLICS	27 810 231	2 255 062	8 320 833	8 436 236	4 368 876	4 429 382	4 509 966	21 744 460
UNITED ARAB EMIRATES	22 127	5 627	-	-	5 435	11 060	11 259	27 754
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND	999 090	999 159	1 998 249	-	-	-	-	-
UNITED REPUBLIC OF TANZANIA	8 010	176	-	7 148	340	346	352	8 186
UNITED STATES OF AMERICA	5 424 600	5 424 976	10 841 910	-	-	-	7 666	7 666
URUGUAY	10 038	1 407	9 048	-	-	-	2 397	2 397
VANUATU	1 011	176	-	-	489	346	352	1 187
VENEZUELA	122 128	19 343	141 471	-	-	-	-	-
VIET NAM	19 530	703	-	16 026	1 416	1 384	1 407	20 233
YEMEN	10 406	176	-	9 544	340	346	352	10 582
YUGOSLAVIA	79 008	16 178	15 625	-	15 399	31 792	32 370	79 561
ZAIRE	5 449	352	-	3 669	736	692	704	5 801
ZAMBIA	-	352	352	-	-	-	-	-
ZIMBABWE	1 038	352	686	-	-	-	704	704
TOTAL	56 976 614	17 668 157	38 476 036	13 510 396	5 879 306	6 115 669	10 663 364	36 168 735

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a/ For the period from 1 June to 30 November 1985.

Annex IV

STATUS OF CONTRIBUTIONS TO THE UNITED NATIONS INTERIM FORCE IN LEBANON (UNIFIL)
AS AT 31 DECEMBER 1985

(UNITED STATES DOLLARS)

MEMBER STATES	CONTRIBUTION PAYABLE AS AT 1 JAN 1985	ASSESSMENTS IN 1985 a/	COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD				
				19 MAR 78 TO 18 DEC 82	19 DEC 82 TO 18 OCT 83	19 OCT 83 TO 18 OCT 84	19 OCT 84 TO 18 OCT 85	TOTAL
AFGHANISTAN	8 760	680	-	5 331	1 344	1 390	1 375	9 440
ALBANIA	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
ALGERIA	240 691	18 012	-	151 665	34 835	36 134	36 069	258 703
ANGOLA	8 882	680	-	5 453	1 344	1 390	1 375	9 562
ANTIGUA AND BARBUDA	5 322	680	-	-	3 237	1 390	1 375	6 002
ARGENTINA	386 039	98 372	6 921	-	81 161	197 338	196 991	475 490
AUSTRALIA	1 170 623	1 090 302	2 260 925	-	-	-	-	-
AUSTRIA	520 688	520 845	1 041 533	-	-	-	-	-
BAHAMAS	1 389	1 385	2 774	-	-	-	-	-
BAHRAIN	2 779	1 385	4 164	-	-	-	-	-
BANGLADESH	4 170	2 040	-	-	-	2 085	4 125	6 210
BARBADOS	6 072	1 385	4 164	-	-	519	2 774	3 293
BELGIUM	888 642	888 909	1 777 551	-	-	-	-	-
BELIZE	1 563	680	-	-	-	868	1 375	2 243
BENIN	9 748	680	-	6 319	1 344	1 390	1 375	10 428
BHUTAN	695	680	1 375	-	-	-	-	-
BOLIVIA	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
BOTSWANA	1 390	680	1 375	-	-	-	695	695
BRAZIL	1 303 191	192 586	910 117	-	-	200 003	385 657	585 660
BRUNEI DARUSSALAM	3 671	4 156	7 827	-	-	-	-	-
BULGARIA	328 356	24 940	-	205 167	48 155	50 032	49 942	353 296
BURKINA FASO	9 748	680	695	5 624	1 344	1 390	1 375	9 733
BURMA	1 389	1 385	1 389	-	-	-	1 385	1 385
BURUNDI	9 748	680	-	6 319	1 344	1 390	1 375	10 428
BYELORUSSIAN SOVIET SOCIALIST REPUBLIC	3 889 919	250 006	-	2 653 699	485 990	500 300	499 936	4 139 925
CAMEROON	8 422	1 385	4 756	-	-	2 277	2 774	5 051
CANADA	2 138 294	2 138 937	4 277 231	-	-	-	-	-
CAPE VERDE	5 441	680	4 746	-	-	-	1 375	1 375
CENTRAL AFRICAN REPUBLIC	16 522	1 385	-	9 663	2 690	2 780	2 774	17 907
CHAD	9 748	680	9 748	-	-	-	680	680

MEMBER STATES	CONTRIBUTION PAYABLE AS AT 1 JAN 1985	ASSESSMENTS IN 1985 a/	COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD 19 MAR 78 TO 18 DEC 82	19 DEC 82 TO 18 OCT 83	19 OCT 83 TO 18 OCT 84	19 OCT 84 TO 18 OCT 85	TOTAL
CHILE	9 723	9 698	19 421	-	-	-	-	-
CHINA	743 166	743 122	1 486 288	-	-	-	-	-
COLOMBIA	31 277	15 241	46 128	-	-	-	390	390
COMOROS	9 748	680	-	6 319	1 344	1 390	1 375	10 428
CONGO	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
COSTA RICA	31 902	2 771	-	18 187	5 379	5 558	5 549	34 673
CUBA	209 101	12 469	-	147 129	24 457	25 014	24 970	221 570
CYPRUS	1 389	2 774	2 774	-	-	-	-	-
CZECHOSLOVAKIA	8 185 740	527 790	-	5 575 522	1 026 399	1 056 188	1 055 421	8 713 530
DEMOCRATIC KAMPUCHEA	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
DEMOCRATIC YEMEN	9 748	680	-	6 319	1 344	1 390	1 375	10 428
DENMARK	520 688	520 845	1 041 533	-	-	-	-	-
DJIBOUTI	7 212	680	-	3 783	1 344	1 390	1 375	7 892
DOMINICA	10 040	680	-	6 611	1 344	1 390	1 375	10 720
DOMINICAN REPUBLIC	51 940	4 156	-	31 365	8 068	8 340	8 323	56 096
ECUADOR	4 063	2 771	4 585	-	-	-	2 249	2 249
EGYPT	9 723	9 698	9 723	-	-	-	9 698	9 698
EL SALVADOR	19 208	1 385	-	12 349	2 690	2 780	2 774	20 593
EQUATORIAL GUINEA	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
ETHIOPIA	7 869	680	8 549	-	-	-	-	-
FIJI	1 389	1 385	-	-	-	-	2 774	2 774
FINLAND	333 240	333 341	666 581	-	-	-	-	-
FRANCE	5 497 742	5 497 410	5 497 742	-	-	-	5 497 410	5 497 410
GABON	32 899	2 771	-	19 184	5 379	5 558	5 549	35 670
GAMBIA	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
GERMAN DEMOCRATIC REPUBLIC	13 933 267	965 299	-	9 167 410	1 869 138	1 931 710	1 930 308	14 898 566
GERMANY, FEDERAL REPUBLIC OF	5 928 904	5 930 688	11 859 592	-	-	-	-	-
GHANA	2 778	2 771	5 549	-	-	-	-	-
GREECE	55 560	55 421	110 981	-	-	-	-	-
GRENADA	4 433	680	-	1 004	1 344	1 390	1 375	5 113
GUATEMALA	9 548	2 771	-	-	1 212	5 558	5 549	12 319
GUINEA	4 033	680	-	604	1 344	1 390	1 375	4 713
GUINEA-BISSAU	7 134	680	-	3 705	1 344	1 390	1 375	7 814
GUYANA	1 389	1 385	-	-	-	-	2 774	2 774
HAITI	9 748	680	-	6 319	1 344	1 390	1 375	10 428

MEMBER STATES	CONTRIBUTION PAYABLE AS AT 1 JAN 1985	ASSESSMENTS IN 1985 a/	COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD				
				19 MAR 78 TO 18 DEC 82	19 DEC 82 TO 18 OCT 83	19 OCT 83 TO 18 OCT 84	19 OCT 84 TO 18 OCT 85	TOTAL
HONDURAS	6 158	1 385	-	-	1 989	2 780	2 774	7 543
HUNGARY	600 401	31 867	-	441 410	63 116	63 928	63 814	632 268
ICELAND	20 826	20 834	41 660	-	-	-	-	-
INDIA	50 004	49 880	99 884	-	-	-	-	-
INDONESIA	36 124	18 012	36 124	-	-	-	18 012	18 012
IRAN (ISLAMIC REPUBLIC OF)	1 114 503	80 360	-	715 870	156 865	161 206	160 922	1 194 863
IRAQ	225 115	16 627	-	142 822	32 273	33 352	33 295	241 742
IRELAND	-	125 003	125 003	-	-	-	-	-
ISRAEL	31 947	31 867	63 158	-	-	-	656	656
ITALY	4 198 020	2 597 280	6 795 300	-	-	-	-	-
IVORY COAST	32 362	4 156	36 518	-	-	-	-	-
JAMAICA	3 970	2 771	3 970	-	-	-	2 771	2 771
JAPAN	14 335 624	7 166 827	14 335 624	-	-	-	7 166 827	7 166 827
JORDAN	1 389	1 385	2 774	-	-	-	-	-
KENYA	10 600	1 385	1 385	2 356	2 690	2 780	2 774	10 600
KUWAIT	34 725	34 638	69 363	-	-	-	-	-
LAO PEOPLE'S DEMOCRATIC REPUBLIC	9 748	680	-	6 319	1 344	1 390	1 375	10 428
LEBANON	2 400	2 771	-	-	-	-	5 171	5 171
LESOTHO	695	680	-	-	-	-	1 375	1 375
LIBERIA	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
LIBYAN ARAB JAMAHIRIYA	454 612	36 025	-	276 690	69 544	72 264	72 139	490 637
LUXEMBOURG	41 655	41 668	83 323	-	-	-	-	-
MADAGASCAR	14 922	1 385	2 005	6 058	2 690	2 780	2 774	14 302
MALAWI	695	680	-	-	-	-	1 375	1 375
MALAYSIA	12 501	12 469	24 970	-	-	-	-	-
MALDIVES	3 614	680	-	185	1 344	1 390	1 375	4 294
MALI	3 816	680	-	387	1 344	1 390	1 375	4 496
MALTA	1 389	1 385	1 389	-	-	-	1 385	1 385
MAURITANIA	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
MAURITIUS	3 440	1 385	-	-	-	2 051	2 774	4 825
MEXICO	366 820	121 925	488 745	-	-	-	-	-
MONGOLIA	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
MOROCCO	68 211	6 927	-	33 922	13 446	13 898	13 872	75 138
MOZAMBIQUE	11 813	680	-	8 384	1 344	1 390	1 375	12 493
NEPAL	1 153	680	1 153	-	-	-	680	680

MEMBER STATES	CONTRIBUTION PAYABLE AS AT 1 JAN 1985	ASSESSMENTS IN 1985 a/	COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD 19 MAR 78 TO 18 DEC 82	19 DEC 82 TO 18 OCT 83	19 OCT 83 TO 18 OCT 84	19 OCT 84 TO 18 OCT 85	TOTAL
NETHERLANDS	1 235 766	1 236 139	2 471 905	-	-	-	-	-
NEW ZEALAND	180 506	180 560	361 066	-	-	-	-	-
NICARAGUA	8 864	1 385	-	2 005	2 690	2 780	2 774	10 249
NIGER	7 641	680	-	4 212	1 344	1 390	1 375	8 321
NIGERIA	90 714	26 325	-	-	11 515	52 808	52 716	117 039
NORWAY	354 068	354 175	708 243	-	-	-	-	-
OMAN	1 389	1 385	2 774	-	-	-	-	-
PAKISTAN	8 834	8 313	17 147	-	-	-	-	-
PANAMA	32 980	2 771	3 563	15 702	5 379	5 558	5 549	32 188
PAPUA NEW GUINEA	1 390	680	2 070	-	-	-	-	-
PARAGUAY	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
PERU	121 719	9 698	-	73 843	18 699	19 454	19 421	131 417
PHILIPPINES	53 514	12 469	10 541	-	5 458	25 014	24 970	55 442
POLAND	11 130 204	500 011	-	8 628 699	1 001 046	1 000 598	999 872	11 630 215
PORTUGAL	50 018	24 940	74 958	-	-	-	-	-
QATAR	7 875	4 156	-	-	-	3 708	8 323	12 031
ROMANIA	398 904	26 325	-	268 354	51 351	52 808	52 716	425 229
RWANDA	2 369	680	-	-	284	1 390	1 375	3 049
SAINT CHRISTOPHER AND NEVIS	1 977	680	-	-	-	-	2 657	2 657
SAINT LUCIA	7 614	680	-	4 185	1 344	1 390	1 375	8 294
SAINT VINCENT AND THE GRENADINES	1 390	680	695	-	-	-	1 375	1 375
SAMOA	5 853	680	4 463	-	-	695	1 375	2 070
SAO TOME AND PRINCIPE	8 281	680	-	4 852	1 344	1 390	1 375	8 961
SAUDI ARABIA	238 969	119 154	-	-	-	119 515	238 608	358 123
SENEGAL	7 704	680	1 651	2 624	1 344	1 390	1 375	6 733
SEYCHELLES	2 235	680	-	-	150	1 390	1 375	2 915
SIERRA LEONE	20 039	1 385	-	13 180	2 690	2 780	2 774	21 424
SINGAPORE	12 501	12 469	24 970	-	-	-	-	-
SOLOMON ISLANDS	10 039	680	-	6 610	1 344	1 390	1 375	10 719
SOMALIA	5 445	680	-	2 016	1 344	1 390	1 375	6 125
SOUTH AFRICA	4 216 535	284 729	-	2 810 147	551 960	569 786	569 371	4 501 264
SPAIN	567 559	267 402	834 961	-	-	-	-	-
SRI LANKA	1 389	1 385	2 774	-	-	-	-	-
SUDAN	2 792	680	-	-	707	1 390	1 375	3 472
SURINAME	2 388	680	2 373	-	-	-	695	695

MEMBER STATES	CONTRIBUTION PAYABLE AS AT 1 JAN 1985	ASSESSMENTS IN 1985 a/	COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD 19 MAR 78 TO 18 DEC 82	19 DEC 82 TO 18 OCT 83	19 OCT 83 TO 18 OCT 84	19 OCT 84 TO 18 OCT 85	TOTAL
SWAZILAND	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
SWEDEN	916 410	916 687	1 833 097	-	-	-	-	-
SYRIAN ARAB REPUBLIC	56 282	4 156	-	35 707	8 068	8 340	8 323	60 438
THAILAND	11 112	11 084	22 196	-	-	-	-	-
TOGO	11 537	1 385	2 622	2 056	2 690	2 780	2 774	10 300
TRINIDAD AND TOBAGO	4 167	4 156	4 167	-	-	-	4 156	4 156
TUNISIA	10 155	4 156	10 155	-	-	-	4 156	4 156
TURKEY	74 367	44 337	84 300	-	-	-	34 404	34 404
UGANDA	8 967	680	-	5 538	1 344	1 390	1 375	9 647
UKRAINIAN SOVIET SOCIALIST REPUBLIC	14 458 268	916 687	-	9 923 573	1 783 855	1 834 430	1 833 097	15 374 955
UNION OF SOVIET SOCIALIST REPUBLICS	133 810 561	8 900 569	-	89 828 730	17 269 371	17 811 352	17 801 677	142 711 130
UNITED ARAB EMIRATES	76 392	22 169	-	-	9 696	44 472	44 393	98 561
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND	7 256 289	3 943 611	7 086 123	-	-	-	4 113 777	4 113 777
UNITED REPUBLIC OF TANZANIA	9 748	680	-	6 319	1 344	1 390	1 375	10 428
UNITED STATES OF AMERICA	21 410 396	21 409 288	42 795 836	-	-	-	23 848	23 848
URUGUAY	32 738	5 542	-	5 307	10 757	11 118	11 098	38 280
VANUATU	5 322	680	-	-	3 237	1 390	1 375	6 002
VENEZUELA	549 334	76 203	625 537	-	-	-	-	-
VIET NAM	53 971	2 771	-	40 130	5 505	5 558	5 549	56 742
YEMEN	9 748	680	-	6 319	1 344	1 390	1 375	10 428
YUGOSLAVIA	340 287	63 734	27 877	-	120 664	127 852	127 628	376 144
ZAIRE	25 713	1 385	-	18 728	2 816	2 780	2 774	27 098
ZAMBIA	1 308	1 385	2 693	-	-	-	-	-
ZIMBABWE	8 394	1 360	3 231	-	993	2 780	2 750	6 523
TOTAL	266 529 271	69 743 881	110 313 073	131 545 425	24 875 518	26 168 717	43 370 419	225 960 079

a/ For the period 19 April to 18 October 1985.

Question 38: Provide a summary of the number of civil servants employed by the United Nations and its related agencies from 1976 through 1986. For each year, show the median salary of a U.N. civil servant and identify any other benefits he or she receives. Further identify that portion of the salary subject to taxation.

Answer:

	A	B	C	D
Year	# Prof	# GS	TOTAL	Med Salary Prof. NY
1976	16,840	22,837	39,677	27,960
1977	16,684	25,028	41,712	29,616
1978	17,807	26,454	44,261	30,894
1979	18,443	27,886	46,329	31,959
1980	19,183	29,284	48,467	34,728
1981	19,811	30,736	50,547	38,055
1982	19,437	31,284	50,721	42,101
1983	19,315	31,484	50,799	43,989
1984	18,875	31,669	50,544	45,877
1985	Not yet published			50,276

Notes on columns:

A. Number of professional staff includes all employees of the UN and associated agencies including project staff.

B. Number of general services (support) staff.

C. Total of A and B.

D. Median Salary of Professional Staff in New York. This figure includes net salary for an employee with one dependent and post adjustment, the latter being an integral part of UN salaries. Since the post adjustment varies greatly from post to post due to changes in currency relationships and cost of living differences, we have presented data for one location for the entire 10 years in order to provide consistent comparisons. (It should be noted that these data are for professional employees only. If the data for general services (support) salaries are included, the number drops significantly, e.g., in 1985, the average salary including professional and general services employees in New York would be approximately $32,700.)

Benefits:

Internationally recruited professional employees receive a standard benefit package of retirement, health insurance, life insurance, annual and sick leave plus benefits or allowances related to their international employment status. These include an education grant, home leave, and travel and shipping expense. Employees are eligible for termination indemnity (similar to severance) if terminated for reasons other than conduct or suitability; qualified separating employees are eligible for repatriation grants. All of these benefits have been in effect for the ten year period, with some adjustment in amount. For example, the education grant had a maximum of $1,125 in 1976, was increased to $2,250 in 1977, to $3,000 in 1981, and to $4,500 in 1984.

Taxes:

The U.S. is the only country that reserves the right to tax its citizens employed by internationl organizations anywhere in the world. All of the compensation is subject to U.S. taxation. However, in order to maintain parity with other international civil servants, U.S. citizens are taxed, the organizations reimburse them, and the U.S. government reimburses the organizations.

Question:

On November 6, 1985, Senators Hatfield, Laxalt and Rudman wrote to you with respect to the Three Gorges Hydro-Electric Project in the People's Republic of China. To date, no answer to this letter has been forthcoming from the State Department. Describe for the Committee the Department's position with respect to assisting the American private sector in participating in the Three Gorges Project.

Answer:

Assistant Secretary William L. Ball, III responded to the letter from Senators Hatfield, Laxalt and Rudman on December 9, 1985. A copy of that reply is attached for your information.

The Department of State is keenly interested in helping U.S. companies win contracts from the Three Gorges project in China, should this project go forward. State participated in a U.S. government delegation that went to China in Janaury to offer up to $2 million for needed studies on the dam. These studies would be funded by the Trade and Development Program. If the Chinese accept this offer, U.S. firms would conduct the studies, helping postition them for follow-on contracts. In addition, with State Department support, other U.S. government technical agencies have been providing the Chinese assistance on the dam on a reimbursable basis.

United States Department of State
Washington, D.C. 20520

φ phc clwan

December - 9,1985

Dear Senator Laxalt:

Thank you for your November 6 letter to Secretary Shultz urging support for the Three Gorges Dam project in the People's Republic of China.

As you know, the dam, if built, would be the world's largest, generating 13,000 megawatts of electricity and providing important flood control and navigation services to central China. We too see this as an important opportunity to boost U.S. exports and to show U.S. support for China's modernization.

In principle, therefore, we favor funding feasibility studies on the Three Gorges project, as a means of enhancing the prospects for U.S. private sector participation in the project itself. We have made this offer to the Chinese on a number of occasions, most recently when Vice President Bush met PRC Vice Premier Li Peng in October. The Chinese have not given us a clear response to this offer. Accordingly, we are now planning to send a delegation to China to try to identify Chinese priorities and discuss the the scope of potential studies.

The U.S. Government is also making other efforts to smooth the way for U.S. participation in the Three Gorges project. The Bureau of Reclamation, the Army Corps of Engineers and the Bonneville Power Administration are all providing the Chinese technical advice on the dam on a reimbursable basis. In addition, these and other U.S. agencies have helped train Chinese engineers and managers involved in the project.

We appreciate your interest and hope these efforts will go a long way toward positioning U.S. firms for contracts on the Three Gorges dam.

With best wishes,

Sincerely,

William L. Ball, III
Assistant Secretary
Legislative and Intergovernmental Affairs

ORIGINAL FORWARDED BY H.

The Honorable
Paul Laxalt,
United States Senate.

Question:

It is our understanding that the Trade and Development Program has indicated a willingness to make $2 million available for feasibility type studies for the Three Gorges project in FY1987. What sources of funds would be available in Fiscal Year 1986 to allow work to begin in advance of TDP funding becoming available?

Answer:

The Trade and Development Program, a part of the International Development and Cooperation Agency, is the only source of funds for feasibility-type studies on the Three Gorges project. However, in January, the PRC told a U.S. government delegation that it did not wish to accept a U.S. offer to fund feasibility studies on the Three Gorges project in FY1986, since to do so would divert funds from other potential TDP-funded projects. The U.S. delegation then extended the offer to FY1987. The PRC accepted this proposal in principle. TDP and its Chinese counterpart, the Ministry of Foreign Economic Relations and Trade (MOFERT), will discuss the FY1987 program in August.

It should be noted that the Chinese did not ask TDP to initiate funding for Three Gorges studies this fiscal year when TDP officials reviewed the FY86 program with MOFERT in March.

Question:

Should Congress direct it, what would the Department of State's capability be to contract with the Bureau of Reclamation to perform studies related to the Three Gorges project?

Answer:

The Department of State is not an appropriate agency for funding technical assistance for development projects. The President, and officials of the Executive Branch acting on his behalf, have authority under the Foreign Assistance Act to do this and can best decide which agency is best for such activities. Assuming the Department of State (rather than some other U.S. government agency) negotiated a Memorandum of Understanding with the People's Republic of China to provide technical assistance for the Three Gorges project, State could contract with the Bureau of Reclamation (Burec) to provide the promised assistance. As a domestic agency without independent authority to work overseas, Burec would require Trade and Development Program authorization for this work, per Section 607 of Part III of the Foreign Assistance Act.

QUESTIONS SUBMITTED BY SENATOR HATFIELD

Question:

Last year, in Senate Report 99-150 (page 47), this Committee requested the Office of the U.S. Coordinator for Refugee Affairs to itemize all domestic and overseas travel expenses as well as expenses incurred by private consultants employed by the Office of the U.S. Coordinator. Such an itemization was provided on January 15, 1986 but only included transportation costs and not per diem. Please provide the Committee the pertinent per diem expenses incurred on those trips identified in the January 15, 1986 report.

Answer:

The costs shown in the report submitted to the Committee on January 15, 1986 are total travel costs. As such, they include per diem as well as all other legitimate incidental travel expenses (taxi fares, car rentals, telephone charges, etc.). It was not clear to us that the Committee wanted per diem costs reflected separately. While per diem costs could be broken out from the other expenses, it would be an extremely time-consuming operation because of the number of trips performed by S/R personnel during fiscal years 1984 and 1985. Note: On an overall basis, per diem costs are approximately 40% of total travel costs.

Question:

What have been the domestic and foreign travel and per diem expenses for the Office of the U.S. Coordinator for Refugee Affairs including consultants, for FY 86 to date, and what are the anticipated expenses for the remainder of the fiscal year?

Answer:

a. Travel and per diem expenses for the Office of the U.S. Coordinator for Refugee Affairs for FY 1986 to date are:

	Travel	Per Diem	Total
Domestic Trips:	$ 1,982	$ 1,489	$ 3,471
Foreign Trips:	$ 1,399	$ 1,737	$ 3,136
	$ 3,381	$ 3,226	$ 6,607

b. It is anticipated that travel expenses for the Office of the Coordinator for Refugee Affairs for the remainder of FY 1986 will total approximately:

	Travel	Per Diem	Total
Domestic Trips:	$ 2,200	$ 1,400	$ 3,600
Foreign Trips:	$ 3,400	$ 2,400	$ 5,800
	$ 5,600	$ 3,800	$ 9,400

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

International Community School (ICS) of Addis Ababa

Question:

Over the last 6 months, I have been bombarded by letters from the superintendent and staff of the International Community School of Addis Ababa, Ethiopia. Due to the currency restrictions in Ethiopia, the 30 Americans teaching at this school have been paid entirely in Ethiopian currency since 1979. They cannot convert this to dollars and can only remit 30% of their salary to their home bank. Due to a housing shortage, the staff has to double, and triple up in the limited housing they have.

Last year, Harold Schroeder, the Superintendent proposed that the Department make available $750,000 in financial assistance of which $400,000 would be to pay the administration staff in dollars, and $350,000 would be to fund construction of housing at the school. In January, he modified the request and proposed that the funds be loaned to the school. The loans would be repaid in Ethiopian money, with the housing repayment stretched over an agreeable period of time at the prevailing interest rate.

Has Mr. Schroeder contacted the Department about his modified proposal? What does the Department think of Mr. Schroeder's proposal?

Answer:

The Department of State has no authority or mechanism through which it can lend money to an independent institution overseas. In any case we could not justify special loan funding to ICS without considering that, among the other 170 schools we assist around the world, there are certainly more deserving institutions. Superintendent Schroeder is mistaken in his insistence that the U.S. Government has an obligation to rescue his school from a financial plight that results directly from his overenthusiasm in promoting the International Community School of Addis Ababa. There are only 5 dependents of U.S.G. employees at ICS out of a total enrollment of 449 children. The Department of State annual grants have been unusually generous under the circumstances: $59,000 in each of the Fiscal Years 85 and 86. Over the past 22 years USG grants have reached a grand total of $2,018,000.

Question:

Is the Department in a position to help this school?

Answer:

As noted above, the Department has assisted ICS for over two decades, and we expect to continue a generous level of annual grant assistance. In addition, the Department recently authorized the American Embassy in Addis Ababa to collect local currency from ICS and to convert limited amounts to U.S. dollars to help the school meet some of its expenses. Mr. Schroeder must realize, however, that ICS is but one of 170 some schools that look to the Department for financial assistance; that our resources are limited.

Question:

How many other schools are similarly situated and from which we might anticipate receiving similar requests?

Answer:

There are many schools in "soft currency" countries that must operate with minimal dollar income. In Africa, the International School of Lusaka has survived for many years using the Department's dollar grants as its only source of hard currency. The International School of Tanganyika in Dar es Salaam has been operating under similar circumstances. These schools, and others, have adjusted their operations to deal with the financial realities. They have hired qualified local and third country teachers who are willing to work for lower salaries in local currencies, and whose housing requirements are manageable. Mr. Schroeder insisted on recruiting teachers from the U.S.A. and promising them housing and other benefits he must have realized it would be difficult to provide.

The ICS is an independent, community-owned and operated school. Mr. Schroeder's responsibility is to operate it as a financially sound business enterprise just as other overseas administrators do.

In conclusion, we do not expect other schools to make demands, on U.S.G. resources, similar to those made by ICS. Other Superintendents have accepted the fact that they must operate their independent schools in a fiscally responsible manner.

It is the Department's policy not to operate overseas schools, but rather through grant assistance, to improve the quality of programs in community operated schools.

Closing Consulates

Question:

On March 3, 1986, Under Secretary Spiers informed the subcommittee of the Department's plans to reorganize the consular presence in 7 countries. The affected posts are Bremen, Nice, Rotterdam, Salvador da Bahia, Seville, Trieste and Winnipeg.

1. These posts are now to either be "redesignated" or "reduced" to "a consular agency." Is there a significance to being "redesignated" instead of being "reduced"?

2. In general, what is the difference between a consular agency and a consulate?

3. Were not Bremen and Nice proposed to be closed by the Department in 1980.

4. The 1980 proposal also included Salzburg, Goteborg, Turin and Brisbane. What happened during the intervening years that they are no longer on the Department's "hit list"?

5. It appears that Section 103, as amended, of the Department of State Authorization Act, fiscal years 1982 and 1983 is permanent law. This section says that funds are not

available for a consulate that did not exist on August 24, 1982, unless the 7 consulates in subsection (c) are reopened. How can you open Kiev and, at the same time, close Bremen and Nice?

Answer:

There is no substantive difference between "redesignating" or "reducing" a consulate to consular agency level. What will occur is that the seven small posts will cease to be consulates that have an American Foreign Service Officer who serves as principal officer and is accredited to host government authorities as a Consul or Consul-General. Instead, a consular agent will be appointed to provide a limited range of services in the locality concerned. A consular agency has no visa issuance functions. Consular agents are normally long-time resident American citizens, host country nationals having significant ties with the United States, or third country nationals associated with an American business firm or having other links with the United States. Consular agents are under the direct supervision of the principal consular officer in the district in which they are located.

All posts identified in Section 103 of the Department of State Authorization Act, fiscal years 1982 and 1983, that had been closed were subsequently reopened to the extent this was authorized by the host government. Bremen and Nice were closed in 1980 and were reopened by mid-1983. Salzburg, Goteborg, Turin and Brisbane had also been closed and later in 1983. The latter four posts have been included in the Department's review of constituent post operations but no decision has yet been taken to identify them for closure again. The Burmese government has not authorized the reopening of Mandalay, the seventh post mentioned in Section 103. In addition, President Reagan, in signing the Authorization Act, stated that he regarded Section 103 as a recommendation, not a requirement, in light of the President's constitutional responsibilities to appoint consuls, ambassadors and other public ministers.

Given current Congressionally-mandated budgetary stringencies and the Administration's deficit reduction policy, it has been necessary to identify Bremen and Nice for closure again on grounds that they are among the lowest priority posts and are marginal to U.S. interests and operations overseas. If these two posts, and the remaining five notified to the Congress on March 5, 1986, are not closed, it will be necessary to curtail operations at other posts more important to our responsibility for representing the United States and serving U.S. citizens. In this context, the Administration believes that opening a consulate at Kiev is more critical to our foreign policy interests than maintaining the seven lowest priority posts.

ROTTERDAM

Question:

When was the U.S. Consulate established in Rotterdam?

Answer:

1794.

Question:

Last year the Dutch Government, in the face of considerable opposition, agreed to the stationing of U.S. cruise missiles in the Netherlands. Is this how the United States repays a courageous act by another government?

Answer:

Consular offices are established to promote the interests of the sending country. The opening and closing of those offices is not traditionally associated with host government decisions on political or security matters. In this connection, the Department would note that the Dutch Government agreed to deploy cruise missiles in pursuance of a NATO decision adopted to strengthen the security of all Alliance members, including the Netherlands.

Question:

With how many countries does the United States enjoy the favorable balance of trade that we enjoy with Holland?

Answer:

The United States enjoys a favorable balance of trade with many countries besides Holland, including Australia, Belgium, Egypt, Saudi Arabia and the USSR. Our trade account surplus is larger with Holland than with any other country.

Question:

What is the Department's assessment of the impact on our commercial activities of closing Rotterdam?

Answer:

Because Rotterdam is less than an hour away from The Hague, where it is proposed that offices of the Foreign Commercial Service be relocated, the Department foresees no measurable impact on U.S. commercial activities as a result of the closing of the Consulate General in Rotterdam.

Question:

In April 1984, the Consulate was moved to a modern U.S. Government-owned location with a lot of attendant renovations. How much have we sunk into those renovations, and are they expected to be recovered?

Answer:

The U.S. Government has spent approximately $590,000 in renovating the property housing the Consulate General in Rotterdam, including $190,000 in immovable security installations. Until the property is offered for sale, there will be no indication as to whether the renovation costs will be recovered.

Question:

We understand that the Dutch only permit our offices to be located in the same cities where we have an Embassy or Consulate. That means the USFCS and USTTA offices would have to be located in The Hague, where there is no significant commercial activity. Is it contemplated that these operations will be moved to The Hague, and does that make sense?

Answer:

The Department proposes that the USFCS and USTTA offices be relocated to The Hague, which is less than an hour away from both Rotterdam and Amsterdam. Given the cost of maintaining three separate U.S. Government establishments in this small area, the Department believes that the proposed consolidation of U.S. Government activities is a prudent measure, especially in view of the fiscal stringency imposed by Gramm-Rudman-Hollings.

Israel Projects

Question:

The Department has notified the committee that by 1990-91, all of the State's operations in the Netherlands will be consolidated at the Hague. The reasons given are the vulnerability of our consulates in Rotterdam and Amsterdam and the comparative short distance between the three cities.

Following that logic, and keeping in mind that the distance between Tel Aviv and Jerusalem is about the same as Amsterdam to the Hague, why is it proposed to spend almost $125,000,000 to build new facilities in both Tel Aviv and Jerusalem, instead of consolidating them into one location?

Answer:

The Netherlands analogy is not appropriate to our consulate General in Jerusalem. Congress is well aware of our position on the question of Jerusalem. In brief, Jerusalem is not a constituent post of Embassy Tel Aviv, and its personnel are not accredited to the Government of Israel. We have maintained a consulate in Jerusalem since the days of the Ottomans. It enjoyed the same independent, non-constituent post status prior to 1967.

The maintenance of a separate and independent mission in Jerusalem reflects the policy of eight American Administrations that the city of Jerusalem should be undivided, that free access should be assured for all faiths, and that the final status of the city of Jerusalem should be undivided, that free access should be assured for allfaiths, and that the final status of the city should be the subject of a negotiated settlement within the context of arrangements for a just and lasting peace in the Middle East. It is thus appropriate that we continue to maintain an independent consulate general in Jerusalem.

MOSCOW PROJECT

Question 3:

What has been the total amount appropriated to date for the new Moscow embassy complex?

Answer:

The total amount apropriated to date for the new Moscow embassy complex is $167.1 million.

Question 4:

When will the Moscow project be completed?

Answer:

The school and marine quarters will be substantially completed in April 1986 and it is estimated that housing units 1 and 2 will be completed May 1986. Housing units 3 and 4 will be completed September 1986. The concourse will be completed December 1986. The office building and consulate are scheduled for completion by cleared American contractors and labor by April 1988.

Question 5:

Last year the Congress provided the requested supplemental appropriation of $20,068,000 for the Moscow project. This appropriation included $12,971,000 for U.S. contractor delay claims and $7,097,000 for additional operating costs related to completing the project. A rider was attached to that appropriation to the effect that Russians should not occupy their new embassy here until the U.S. receives "prompt and full reimbursement" for the damages incurred in Moscow.

A. Does the Department envision any problem in complying with the above rider?

Answer:

In accordance with the rider attached to the appropriation bill, the process of arbitration was commenced on September 12, 1985 by issuance of a Notice of Arbitration by the Department of State to Sojuzvneshstrojimport ("SVSI"), the Soviet contractor. To date, approximately $8.6 million of extra costs incurred due to Soviet delay has been claimed against SVSI. SVSI has submitted a counterclaim in the amount of 2.75 million rubles ($3.5 million).

As additonal extra cost is incurred due to SVSI malperformance, it will be claimed incrementally. The total extra cost may not be fully known for possibly two years. In spite of the continuing efforts taken by the Department to press for the equitable settlement of claims, final settlement could be several years in the future and well beyond the date the respective chanceries are finished for occupancy. The December 4, 1972 agreement between the U.S.A. and the U.S.S.R. provides that the chanceries will be completed simultaneously at an agreed upon date after final completion and acceptance. It is therefore possible that the American chancery will be complete but occupancy will be delayed because the Soviets have not satisfied the terms of the rider and therefore are precluded from occupying their chancery.

B. What is the status of the international arbitration process provided for in the embassy construction agreement to resolve the U.S. claims against the U.S.S.R.?

Answer:

The Deputy Assistant Secretary for Foreign Buildings, Mr.

Richard N. Dertadian, met with the head of SVSI in Moscow on January 9, 1986 to discuss the arbitration and other issues arising from the project. Mr. Dertadian travelled to Moscow again on March 21, 1986, accompanied by construction managers, political and legal representatives from the Department, and met with representatives of SVSI on several occasions March 24 through 26. The two sides discussed procedural issues connected with the arbitration, as well as the parties' substantive claims.

The Department supplemented its claim by the issuance of an additional formal statement of damages in the amount of $4,044,820 on February 28, 1986. Further statements of damages will be added as the detailed information becomes evident. The arbitration panel will be appointed during the next several months, and formal hearings are expected in the latter part of 1986.

Question 6:

What consideration is being given to retaining our present office building in Moscow? Please furnish for the committee's files, an analysis of what it would cost to make the required renovations to get the building back to the original condition versus the cost of renovating the building for continuing U.S. use?

Answer:

In the fall of 1985 final decisions were made to replace almost all Soviet nationals with American personnel in Moscow. This decision had the effect of almost doubling our residential units needs and spurred the Post to submit a cable proposing retention of the EOB for staff housing. In December 1985, FBO calculated the following cost estimates:

1. Remove existing security installations and alterations, and use Soviet labor and materials to rehab to original configuration and return to Soviets.
ESTIMATED COST: $23 MILLION
2. Remove existing security installations and alterations and use American labor and U.S. materials to rehab for our use.
ESTIMATED COST: $27.9 MILLION

These estimated figures were calculated for planning purposes only without an on-site survey. On April 13 FBO sent a team to Moscow to appraise all technical aspects of the buildings to determine more accurate cost estimates for long-term utilization of the building. These new cost estimates will be used in the final determination for negotiations to keep the building.

Question 7:

If we retained the current office building, could it be renovated to house all of our personnel in Moscow?

Answer:

Originally, the EOB was an apartment building containing 97 mostly two bedroom units. Currently the building has 37 apartment units plus MSG and Seabee quarters and the balance of the building is used as office space. With rehabilitation and retaining some space for office use, FBO estimates that we could create 65, two, three and four bedroom units. These units, along with the 124 units being constructed in the NOB would be sufficient to house almost all Americans at Post.

Kiev

Question:

The reprogramming indicates that an advance team of 4 persons is to be in place by May. What is the ultimate American staff expected to be in Kiev?

Answer:

The maximum number of American staff planned for Kiev is 30. The projected breakdown is as follows: State staff of twelve, USIS staff of two, eight Marines, eight contract employees.

Question:

When our staff was in Moscow with Assistant Secretary Bouchard in early January, Ambassador Hartman stated a clear preference for a "Mom and Pop" operation in Kiev. Given the overall budget stringency, why are we diverting so much resources to make it look like the summit accomplished something, particularly when the Department is closing 7 consulates to save $4,000,000?

Answer:

The decision to open consulates in Kiev and New York was one of several significant accomplishments of the 1985 Geneva summit. The consulate in Kiev gives us an opportunity to establish an American presence in an important, non-Russian region of the USSR, adding critically-needed first-hand information to our understanding of our primary adversary. Anything less than a secure, adequately staffed operation in Kiev will restrict the US government's ability to fully exploit this new opportunity. Ambassador Hartman fully supports the Secretary's decision in this matter.

Question:

The United States recently ordered the USSR to remove 105 of its 275-member staff at the Soviet mission to the United Nations by April 1, 1988. If we think that the Soviets already have too many personnel in New York, why are we further compounding the problem by letting them open a Consulate in New York?

Answer:

On March 7 we informed the Soviets that they must reduce the size of their UN Mission from the current level of about 275 to no more than 170. The Soviets will be allowed only as many employees at their consulate in New York as we have in Kiev. The Soviet Consulate will have no more than 30 employees, resulting in a net loss to the Soviets of 75 New York positions.

Question:

What has the intelligence community, particularly the FBI, thought of having additional Soviet personnel in New York?

Answer:

The decision to agree on the reciprocal opening of consulates in Kiev and New York was made by the President. As we proceed with implementation of the agreement, the Department of State is working closely with all concerned agencies.

Question:

The reprogramming states that Kiev "will be our first opportunity to incorporate into the design and construction of an office building in the USSR critical security recommendations of the Inman Panel." When the staff was with Assistant Secretary Bouchard in Kiev they were shown no buildings with a 100 foot setback. Where has the property been located that comports with the Inman Panel?

Answer:

Our consulate in Kiev will be established in conformity with the recommendations of the Inman Panel as they apply to the situation in the USSR. The 100 foot setback was only one of many recommendations in the Inman Report. An intelligent use of the report requires an assessment of those threats specific to the USSR and the adoption of measures which counteract these threats. The 100 foot setback requirement is primarily intended to counteract the terrorist threat, which is not generally considered a major problem for diplomatic missions in the USSR. To insist on a consulate with a 100 foot setback would raise the cost considerably and would probably force us to locate the consulate far from the center of town, thereby degrading its utility for representation, reporting, and intelligence gathering.

UNIFIL

Question 1:

Does the lack of a supplemental request for UNIFIL indicate that the current 6-month mandate for UNIFIL through April 18, 1986 will not be renewed?

Answer:

No. As Secretary Shultz indicated to the Senate Subcommittee on appropriations on March 19, 1986 renewal of the UNIFIL mandate is most likely to be tied to our ability to give some assurance to troop-contributors of full U.S. funding for UNIFIL in FY 87. We note that Senator Rudman promised the Secretary to try to provide us the committee's views on what we can tell the troop-contributors before the renewal date of the current mandate.

Question 2:

Last year the Department responded to our questions about UNIFIL by terming it "a tangible symbol." In these days of

UNITED STATES DELEGATION
TO THE
XVI SESSION OF THE PERMANENT EXECUTIVE COMMITTEE OF THE INTER-AMERICAN TELECOMMUNICATIONS CONFERENCE (COM/CITEL)
ORGANIZATION OF AMERICAN STATES (OAS)
MEXICO CITY, JUNE 3 - 7, 1985

Representative

Earl S. Barbely
Director
Office of International
Communications Policy
Bureau of Economic and Business Affairs
Department of State

Alternate Representative

William H. Jahn
Office of International
Communications Policy
Bureau of Economic and Business Affairs
Department of State

Advisers

Edward Jacobs
Office of the Chairman
Federal Communications Commission

William Moran
Office of International Affairs
National Telecommunications and
Information Administration
Department of Commerce

UNITED STATES DELEGATION
TO THE
MEETING OF PERMANENT TECHNICAL COMMITTEE (PTC) I
ORGANIZATION OF AMERICAN STATES/
INTER-AMERICAN TELECOMMUNICATIONS COMMISSION (OAS/CITEL)
SAO PAULO, NOVEMBER 4-8, 1985

Representative

Douglas Davis
Federal Communications Commission

Alternate Representative

Domenick Iacovo
Bureau of International Communications and
Information Policy
Department of State

Adviser

William Moran
National Telecommunication and Information
Administration
Department of Commerce

Private Sector Advisers

Cecil Crump
AT&T Communications
Morristown, New Jersey

Thomas Sorge
RCA Global Communications, Inc.
New York, New York

Annex IV

STATUS OF CONTRIBUTIONS TO THE UNITED NATIONS INTERIM FORCE IN LEBANON (UNIFIL) AS AT 31 DECEMBER 1985

(UNITED STATES DOLLARS)

MEMBER STATES	CONTRIBUTION PAYABLE AS AT 1 JAN 1985	ASSESSMENTS IN 1985 a/	COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD				
				19 MAR 78 TO 18 DEC 82	19 DEC 82 TO 18 OCT 83	19 OCT 83 TO 18 OCT 84	19 OCT 84 TO 18 OCT 85	TOTAL
AFGHANISTAN	8 760	680	-	5 331	1 344	1 390	1 375	9 440
ALBANIA	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
ALGERIA	240 691	18 012	-	151 665	34 835	36 134	36 069	258 703
ANGOLA	8 882	680	-	5 453	1 344	1 390	1 375	9 562
ANTIGUA AND BARBUDA	5 322	680	-	-	3 237	1 390	1 375	6 002
ARGENTINA	386 039	98 372	8 921	-	81 161	197 338	196 991	475 490
AUSTRALIA	1 170 623	1 090 302	2 260 925	-	-	-	-	-
AUSTRIA	520 688	520 845	1 041 533	-	-	-	-	-
BAHAMAS	1 389	1 385	2 774	-	-	-	-	-
BAHRAIN	2 779	1 385	4 164	-	-	-	-	-
BANGLADESH	4 170	2 040	-	-	-	2 085	4 125	6 210
BARBADOS	6 072	1 385	4 164	-	-	519	2 774	3 293
BELGIUM	888 642	888 909	1 777 551	-	-	-	-	-
BELIZE	1 563	680	-	-	-	868	1 375	2 243
BENIN	9 748	680	-	6 319	1 344	1 390	1 375	10 428
BHUTAN	695	680	1 375	-	-	-	-	-
BOLIVIA	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
BOTSWANA	1 390	680	1 375	-	-	-	695	695
BRAZIL	1 303 191	192 586	910 117	-	-	200 003	385 657	585 660
BRUNEI DARUSSALAM	3 671	4 156	7 827	-	-	-	-	-
BULGARIA	328 356	24 940	-	205 167	48 155	50 032	49 942	353 296
BURKINA FASO	9 748	680	695	5 624	1 344	1 390	1 375	9 733
BURMA	1 389	1 385	1 389	-	-	-	1 385	1 385
BURUNDI	9 748	680	-	6 319	1 344	1 390	1 375	10 428
BYELORUSSIAN SOVIET SOCIALIST REPUBLIC	3 889 919	250 006	-	2 653 699	485 990	500 300	499 936	4 139 925
CAMEROON	8 422	1 385	4 756	-	-	2 277	2 774	5 051
CANADA	2 138 294	2 138 937	4 277 231	-	-	-	-	-
CAPE VERDE	5 441	680	4 746	-	-	-	1 375	1 375
CENTRAL AFRICAN REPUBLIC	16 522	1 385	-	9 663	2 690	2 780	2 774	17 907
CHAD	9 748	680	9 748	-	-	-	680	680

MEMBER STATES	CONTRIBUTION * PAYABLE AS AT 1 JAN 1985	ASSESSMENTS IN 1985 a/	COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD				
				19 MAR 78 TO 18 DEC 82	19 DEC 82 TO 18 OCT 83	19 OCT 83 TO 18 OCT 84	19 OCT 84 TO 18 OCT 85	TOTAL
CHILE	9 723	9 698	19 421	-	-	-	-	-
CHINA	743 166	743 122	1 486 288	-	-	-	-	-
COLOMBIA	31 277	15 241	46 128	-	-	-	390	390
COMOROS	9 748	680	-	6 319	1 344	1 390	1 375	10 428
CONGO	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
COSTA RICA	31 902	2 771	-	18 187	5 379	5 558	5 549	34 673
CUBA	209 101	12 469	-	147 129	24 457	25 014	24 970	221 570
CYPRUS	1 389	2 774	2 774	-	-	-	-	-
CZECHOSLOVAKIA	8 185 740	527 790	-	5 575 522	1 026 399	1 056 188	1 055 421	8 713 530
DEMOCRATIC KAMPUCHEA	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
DEMOCRATIC YEMEN	9 748	680	-	6 319	1 344	1 390	1 375	10 428
DENMARK	520 688	520 845	1 041 533	-	-	-	-	-
DJIBOUTI	7 212	680	-	3 783	1 344	1 390	1 375	7 892
DOMINICA	10 040	680	-	6 611	1 344	1 390	1 375	10 720
DOMINICAN REPUBLIC	51 940	4 156	-	31 365	8 068	8 340	8 323	56 096
ECUADOR	4 063	2 771	4 585	-	-	-	2 249	2 249
EGYPT	9 723	9 698	9 723	-	-	-	9 698	9 698
EL SALVADOR	19 208	1 385	-	12 349	2 690	2 780	2 774	20 593
EQUATORIAL GUINEA	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
ETHIOPIA	7 869	680	8 549	-	-	-	-	-
FIJI	1 389	1 385	-	-	-	-	2 774	2 774
FINLAND	333 240	333 341	666 581	-	-	-	-	-
FRANCE	5 497 742	5 497 410	5 497 742	-	-	-	5 497 410	5 497 410
GABON	32 899	2 771	-	19 184	5 379	5 558	5 549	35 670
GAMBIA	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
GERMAN DEMOCRATIC REPUBLIC	13 933 267	965 299	-	9 167 410	1 869 138	1 931 710	1 930 308	14 898 566
GERMANY, FEDERAL REPUBLIC OF	5 928 904	5 930 688	11 859 592	-	-	-	-	-
GHANA	2 778	2 771	5 549	-	-	-	-	-
GREECE	55 560	55 421	110 981	-	-	-	-	-
GRENADA	4 433	680	-	1 004	1 344	1 390	1 375	5 113
GUATEMALA	9 548	2 771	-	-	1 212	5 558	5 549	12 319
GUINEA	4 033	680	-	604	1 344	1 390	1 375	4 713
GUINEA-BISSAU	7 134	680	-	3 705	1 344	1 390	1 375	7 814
GUYANA	1 389	1 385	-	-	-	-	2 774	2 774
HAITI	9 748	680	-	6 319	1 344	1 390	1 375	10 428

MEMBER STATES	CONTRIBUTION PAYABLE AS AT 1 JAN 1985	ASSESSMENTS IN 1985 a/	COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD				
				19 MAR 78 TO 18 DEC 82	19 DEC 82 TO 18 OCT 83	19 OCT 83 TO 18 OCT 84	19 OCT 84 TO 18 OCT 85	TOTAL
HONDURAS	6 158	1 385	-	-	1 989	2 780	2 774	7 543
HUNGARY	600 401	31 867	-	441 410	63 116	63 928	63 814	632 268
ICELAND	20 826	20 834	41 660	-	-	-	-	-
INDIA	50 004	49 880	99 884	-	-	-	-	-
INDONESIA	36 124	18 012	36 124	-	-	-	18 012	18 012
IRAN (ISLAMIC REPUBLIC OF)	1 114 503	80 360	-	715 870	156 865	161 206	160 922	1 194 863
IRAQ	225 115	16 627	-	142 822	32 273	33 352	33 295	241 742
IRELAND	-	125 003	125 003	-	-	-	-	-
ISRAEL	31 947	31 867	63 158	-	-	-	656	656
ITALY	4 198 020	2 597 280	6 795 300	-	-	-	-	-
IVORY COAST	32 362	4 156	36 518	-	-	-	-	-
JAMAICA	3 970	2 771	3 970	-	-	-	2 771	2 771
JAPAN	14 335 624	7 166 827	14 335 624	-	-	-	7 166 827	7 166 827
JORDAN	1 389	1 385	2 774	-	-	-	-	-
KENYA	10 600	1 385	1 385	2 356	2 690	2 780	2 774	10 600
KUWAIT	34 725	34 638	69 363	-	-	-	-	-
LAO PEOPLE'S DEMOCRATIC REPUBLIC	9 748	680	-	6 319	1 344	1 390	1 375	10 428
LEBANON	2 400	2 771	-	-	-	-	5 171	5 171
LESOTHO	695	680	-	-	-	-	1 375	1 375
LIBERIA	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
LIBYAN ARAB JAMAHIRIYA	454 612	36 025	-	276 690	69 544	72 264	72 139	490 637
LUXEMBOURG	41 655	41 668	83 323	-	-	-	-	-
MADAGASCAR	14 922	1 385	2 005	6 058	2 690	2 780	2 774	14 302
MALAWI	695	680	-	-	-	-	1 375	1 375
MALAYSIA	12 501	12 469	24 970	-	-	-	-	-
MALDIVES	3 614	680	-	185	1 344	1 390	1 375	4 294
MALI	3 816	680	-	387	1 344	1 390	1 375	4 496
MALTA	1 389	1 385	1 389	-	-	-	1 385	1 385
MAURITANIA	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
MAURITIUS	3 440	1 385	-	-	-	2 051	2 774	4 825
MEXICO	366 820	121 925	488 745	-	-	-	-	-
MONGOLIA	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
MOROCCO	68 211	6 927	-	33 922	13 446	13 898	13 872	75 138
MOZAMBIQUE	11 813	680	-	8 384	1 344	1 390	1 375	12 493
NEPAL	1 153	680	1 153	-	-	-	680	680

MEMBER STATES	CONTRIBUTION PAYABLE AS AT 1 JAN 1985	ASSESSMENTS IN 1985 a/	COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD 19 MAR 78 TO 18 DEC 82	19 DEC 82 TO 18 OCT 83	19 OCT 83 TO 18 OCT 84	19 OCT 84 TO 18 OCT 85	TOTAL
NETHERLANDS	1 235 766	1 236 139	2 471 905	-	-	-	-	-
NEW ZEALAND	180 506	180 560	361 066	-	-	-	-	-
NICARAGUA	8 864	1 385	-	2 005	2 690	2 780	2 774	10 249
NIGER	7 641	680	-	4 212	1 344	1 390	1 375	8 321
NIGERIA	90 714	26 325	-	-	11 515	52 808	52 716	117 039
NORWAY	354 068	354 175	708 243	-	-	-	-	-
OMAN	1 389	1 385	2 774	-	-	-	-	-
PAKISTAN	8 834	8 313	17 147	-	-	-	-	-
PANAMA	32 980	2 771	3 563	15 702	5 379	5 558	5 549	32 188
PAPUA NEW GUINEA	1 390	680	2 070	-	-	-	-	-
PARAGUAY	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
PERU	121 719	9 698	-	73 843	18 699	19 454	19 421	131 417
PHILIPPINES	53 514	12 469	10 541	-	5 458	25 014	24 970	55 442
POLAND	11 130 204	500 011	-	8 628 699	1 001 046	1 000 598	999 872	11 630 215
PORTUGAL	50 018	24 940	74 958	-	-	-	-	-
QATAR	7 875	4 156	-	-	-	3 708	8 323	12 031
ROMANIA	398 904	26 325	-	268 354	51 351	52 808	52 716	425 229
RWANDA	2 369	680	-	-	284	1 390	1 375	3 049
SAINT CHRISTOPHER AND NEVIS	1 977	680	-	-	-	-	2 657	2 657
SAINT LUCIA	7 614	680	-	4 185	1 344	1 390	1 375	8 294
SAINT VINCENT AND THE GRENADINES	1 390	680	695	-	-	-	1 375	1 375
SAMOA	5 853	680	4 463	-	-	695	1 375	2 070
SAO TOME AND PRINCIPE	8 281	680	-	4 852	1 344	1 390	1 375	8 961
SAUDI ARABIA	238 969	119 154	-	-	-	119 515	238 608	358 123
SENEGAL	7 704	680	1 651	2 624	1 344	1 390	1 375	6 733
SEYCHELLES	2 235	680	-	-	150	1 390	1 375	2 915
SIERRA LEONE	20 039	1 385	-	13 180	2 690	2 780	2 774	21 424
SINGAPORE	12 501	12 469	24 970	-	-	-	-	-
SOLOMON ISLANDS	10 039	680	-	6 610	1 344	1 390	1 375	10 719
SOMALIA	5 445	680	-	2 016	1 344	1 390	1 375	6 125
SOUTH AFRICA	4 216 535	284 729	-	2 810 147	551 960	569 786	569 371	4 501 264
SPAIN	567 559	267 402	834 961	-	-	-		-
SRI LANKA	1 389	1 385	2 774	-	-	-	-	-
SUDAN	2 792	680	-	-	707	1 390	1 375	472
SURINAME	2 388	680	2 373	-	-	-	695	695

MEMBER STATES	CONTRIBUTION PAYABLE AS AT 1 JAN 1985	ASSESSMENTS IN 1985 a/	COLLECTIONS IN 1985	CONTRIBUTIONS OUTSTANDING FOR THE PERIOD				
				19 MAR 78 TO 18 DEC 82	19 DEC 82 TO 18 OCT 83	19 OCT 83 TO 18 OCT 84	19 OCT 84 TO 18 OCT 85	TOTAL
SWAZILAND	20 235	1 385	-	13 376	2 690	2 780	2 774	21 620
SWEDEN	916 410	916 687	1 833 097	-	-	-	-	-
SYRIAN ARAB REPUBLIC	56 282	4 156	-	35 707	8 068	8 340	8 323	60 438
THAILAND	11 112	11 084	22 196	-	-	-	-	-
TOGO	11 537	1 385	2 622	2 056	2 690	2 780	2 774	10 300
TRINIDAD AND TOBAGO	4 167	4 156	4 167	-	-	-	4 156	4 156
TUNISIA	10 155	4 156	10 155	-	-	-	4 156	4 156
TURKEY	74 367	44 337	84 300	-	-	-	34 404	34 404
UGANDA	8 967	680	-	5 538	1 344	1 390	1 375	9 647
UKRAINIAN SOVIET SOCIALIST REPUBLIC	14 458 268	916 687	-	9 923 573	1 783 855	1 834 430	1 833 097	15 374 955
UNION OF SOVIET SOCIALIST REPUBLICS	133 810 561	8 900 569	-	89 828 730	17 269 371	17 811 352	17 801 677	142 711 130
UNITED ARAB EMIRATES	76 392	22 169	-	-	9 696	44 472	44 393	98 561
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND	7 256 289	3 943 611	7 086 123	-	-	-	4 113 777	4 113 777
UNITED REPUBLIC OF TANZANIA	9 748	680	-	6 319	1 344	1 390	1 375	10 428
UNITED STATES OF AMERICA	21 410 396	21 409 288	42 795 836	-	-	-	23 848	23 848
URUGUAY	32 738	5 542	-	5 307	10 757	11 118	11 098	38 280
VANUATU	5 322	680	-	-	3 237	1 390	1 375	6 002
VENEZUELA	549 334	76 203	625 537	-	-	-	-	-
VIET NAM	53 971	2 771	-	40 130	5 505	5 558	5 549	56 742
YEMEN	9 748	680	-	6 319	1 344	1 390	1 375	10 428
YUGOSLAVIA	340 287	63 734	27 877	-	120 664	127 852	127 628	376 144
ZAIRE	25 713	1 385	-	18 728	2 816	2 780	2 774	27 098
ZAMBIA	1 308	1 385	2 693	-	-	-	-	-
ZIMBABWE	8 394	1 360	3 231	-	993	2 780	2 750	6 523
TOTAL	266 529 271	69 743 881	110 313 073	131 545 425	24 875 518	26 168 717	43 370 419	225 960 079

a/ For the period 19 April to 18 October 1985.

UNIFIL

Question 5:

How much did the United States contribution represent of the total contributions received in 1985?

Answer:

The United States contribution of $42.8 million represents 38.8% of the $110.3 million in collections for UNIFIL during 1985.

Question 6

How much does the USSR owe for UNIFIL?

Answer:

According to the UN's Status of Contributions report as at 31 December 1985, the USSR, Byelorussian SSR and Ukranian SSR, the three Soviet members of the UN, together owed $162.2 million for UNIFIL.

Panama Canal Study

The Fiscal 1987 request includes $2,000,000 as a further Unites States Contribution to a joint feasibility study with Japan of alternatives to the Panama Canal. To date, the United States has contributed $4,000,000 towards this study.

Mr. Secretary, as you know, Senator Laxalt and I both have a strong interest in this study. We have written to both you and the President of our concerns about the composition of the U.S. Delegation. We're dealing with Japan and we need the best commissioners we can find.

Question:

Does the Department share our interest in a strong U.S. delegation, headed by a first-rate businessman, instead of the bureaucrats favored by the Department of Defense and the Panama Canal Commission?

Answer:

In our approach to the organization of U.S. participation in the Commission for the Study of Alternatives to the Panama Canal, the Department of State has adhered to the following guidelines:

- U.S. representation in this project should reflect the broad, complex national interests affected by the future development of Isthmian transportation;
- private sector participation in this undertaking is essential for its success and for the protection of our national interests;
- the U.S. Commissioner and the Deputy Commissioners must be individuals who will inspire broad-based confidence in the objectivity and value of the Study. Therefore, as I noted in my letter to you and to Senator Laxalt last September, they must be individuals who are recognized for their professional competence and experience, who have shown their commitment to a broad

view of the national interest and whose objectivity in dealing with sensitive public policy matters is beyond doubt.

The State Department, Defense, and the Panama Canal Commission are now agreed that the Commissioner and the Deputy Commissioners should be selected from the private sector and that they should have a collective background in maritime finance, port/waterway management, international trade and shipping, and large-scale engineering/construction.

Question:

Has the Department submitted nominees for the Study Commission to the White House and what is the current status of the appointments?

Answer:

We have twice submitted recommended nominees for appointment by the President as the United States Commissioner for the Panama Canal Alternatives Study Commission. No action has as yet been taken and an active search continues for a new candidate. We have also begun discussions with representatives from Defense and the Panama Canal Commission on the selection of the Deputy Commissioners.

Question:

What comments does the Department have with regard to H.R. 3882 introduced by members of the House Panama Canal Subcommittee that would mandate the appointment of bureaucrats to the Study Commission, and delay the start of the Study by at least five years?

Answer:

We are familiar with this proposed bill, and we have a number of reservations about it. Some of the bill's provisions are incompatible with the international agreements we signed with Panama and Japan in September 1985 establishing the Commission for the Study of Alternatives to the Panama Canal. Since we consider it infeasible to renegotiate those agreements to conform to the requirements of H.R. 3882, the bill's enactment would require the United States to breach those international agreements and would either kill the Canal Study or allow it to go forward without our participation.

On balance, the bill contradicts a commitment made by President Reagan to the Prime Minister of Japan in May 1981 to join in a feasibility study with Panama and Japan, as well as diplomatic agreements signed by the Secretary of State with the Foreign Ministers of Panama and Japan in September 1985. The bill conflicts with Administration policy on the Canal Alternatives Study, a policy which has been developed at the President's initiative through an interagency process over the past five years. If enacted, we believe this legislation would be harmful to the specific interests of the United States involving the use of the Isthmus of Panama, to our vital relationship with Japan, and to broad policy objectives within the Western hemisphere.

Question:

Does the Department share the concern that the delay in making these appointments and the Study is causing U.S. businesses to lose interest in the project?

Answer:

The frustration that exists over the Study's slow start reflects the fact that interest in this project remains quite high. The national interests affected by this project, whether they exist in the public or the private sector, in the U.S., Panama or Japan, are substantial; I do not believe that they will be diminished by an initial delay. However, we are working actively to resolve the remaining obstacles to commencement of the Study's substantive phase.

The Asia Foundation

Question:

Does the Adminstration see the need to also extend support for Filipino initiatives to restructure their government and institute democratic reforms now underway and agree that the best way we can offer such aid is through the Asia Foundation?

Answer:

We wish to assist as appropriate in Filipino efforts to deal with critical political, economic and security problems, including a dangerous communist insurgency. The Administration has consistently supported genuine political, economic and military reforms required to deal effectively with these problems. The new government has taken important initial steps toward reforms, and we support continued efforts to achieve genuine reform.

In particular, we support the efforts underway in the Philippines to develop a new constitutional framework of government as quickly as possible and to strengthen democratic institutions.

U.S. financial or technical assistance for projects or programs aimed strengthening democracy in the Philippines is best channeled through private sector foundations. The Asia Foundation has been one such organization, and there are others, including the National Endowment for Democracy and the International Institutes of the Republican and Democratic Parties.

Any future initiatives from private sector organizations which may request U.S. Government funding will be evaluated on a case-by-case basis.

Question:

I note that the FY '87 request for The Asia Foundation is $1,000,000 below the authorization and $70,000 below the FY -86 appropriation, adjusted for sequestration. That strikes me as unfortunate because The Asia Foundation appears to have some special opportunities to assist local efforts for domestic change and reform in Asia, particularly the Philippines, at an expecially critical time. What consideration has been given to expanding The Asia Foundation's work in 1987?

Answer:

In response to requests from various organizations in the Philippines, The Asia Foundation has more than doubled its programming activity in that country in the current fiscal year. Those activities have focused on civic and voter education related to the Presidential election. The Foundation re-programmed its available resources for those activities.

The Foundation's Manila office has in hand numerous requests and proposals for projects related to constitutional reform, improved civil/military relations, national reconciliation, court reform and the development of stable and democratic political instituions. Based on these requests and proposals, the Foundation would like to more than double the scope of its programming activities in the Philippines. It would, however, need additional funding to do so.

The General Grant provided to The Asia Foundation by Congress in the Foundation's basic source of funding. But private sector contributions are also an important source of funding. With the passage of The Asia Foundation Act of 1984, the Foundation began laying plans for a multi-year coordinated effort to increase its private sector support.

All of these plans are being implemented now. As a result of this new campaign, private cash contributions in 1985 increased 22% over 1984. In-kind contributions, mostly in the form of new books donated by U.S. publishers, more than doubled. The Foundation's private cash contributions target for 1986 is $2,580,000, which is more than double the 1985 figure. The Foundation cannot, of course, be sure that it will be able to meet that target, but it is making every effort to do so.

(Philippines: Additional Assistance)

Question:

Are we going to provide expanded economic and military assistance to the new government of the Philippines?

Answer:

We have been discussing Philippine assistance needs and priorities with President Aquino's Government and with other major bilateral and multilateral donors. We are now assessing the outcome of these discussions to develop a proper U.S. response. We expect to consult with the Congress soon on U.S. assistance policy for the Philippines.

SECURITY PACKAGE

General

Question:

1. The total amount that this subcommittee is expected to come up with over the next 5 years for security enhancement is $4,368,807,000. Is there anything that the Office of Security has ever wished for that is not included in this request?

Answer:

The programs requested in the FY 1986 Security Supplemental are based on realistic projections of the security and terrorist threat which our overseas diplomatic activities will confront in the near future, and the measures necessary to counter these threats. They were carefully reviewed within the Department and by the Office of Management and Budget and are, when viewed in the context of the Administration's overall resource needs, consistent with the Gramm-Rudman-Hollings provisions. Thus, they represent a professional assessment of our needs in relation to available resources. It should also be pointed out that the Bureau of Diplomatic Security -- the successor to the Office of Security -- will receive only about $1.14 billion of the total $4.37 billion request, or only one-quarter of total resources.

Question:

2. How does the $702,866,000 supplemental requested for 1986, and the $1,413,125,000 requested for 1987 compare to the Department's requests to OMB?

Answer:

In FY 1986, the Department asked OMB for the following amount of funds:

	OMB Request
S&E	$520,828,000
FBO	1,575,882,000
CT/R&D	10,000,000
TOTAL	$2,106,710,000

For FY 1987, the OMB request can be broken down as follows:

	OMB Request
S&E	$420,625,000
FBO	1,135,439,000
CT/R&D	20,000,000
TOTAL	$1,576,064,000

Question:

3. What efforts have been made to reduce the number of U.S. personnel overseas before embarking on this ambitious program?

Answer:

At the President's request, Secretary Shultz directed chiefs of mission at 76 high-threat posts to review their mission staffing levels. The NSC is considering the Department's recommendation on possible staffing reductions. Additionally, the Secretary met on April 9 with the heads of foreign affairs agencies to initiate a thorough review of the overseas presence of USG personnel. A final report is due to the President by the end of July.

Question:

4. What is the U.S. Government employment at the 98 posts scheduled for security construction between 1986 and 1990, and what employment is projected at these posts when construction is completed?

Answer:

Post	No. of Employees
Amman	205
Caracas	192
Dhaka	202
Djibouti	36
Doha	26
Georgetown	71
Geneva	180
Istanbul	156
Izmir	24
Khartoum	138
Kingston	297
Kuwait	89
La Paz	180
London	
Manama	86
Mogadishu	172
Moscow	
Muscat	68
Nicosia	65
Sanaa	194
Santiago	185
Tegucigalpa	194
Tunis	257
Abidjan	153
Abu Dhabi	59
Alexandria	36
Ankara	241
Athens	
Berlin	84
Bogota	251
Bonn	
Brussels	396
Budapest	102
Cairo	276
Chiang Mai	58
Jerusalem	71
Kampala	40
Lima	225
Paris	
Prague	75
Pretoria	130
Rabat	297
Sofia	53
Tel Aviv	299
Tokyo	
Vienna	366
Yaounde	91
TOTAL	6,320

Question:

5. At how many of the posts to be upgraded does the Foreign Service receive a hazardous duty allowance and are allowed to have their families with them? Why should the American taxpayer pay for both the security enhancements, plus a hazardous duty allowance, and then have to assume the additional burden of protecting the families?

Answer:

Only two posts fit this category. The FY 1986 Security Supplemental funding request includes an estimate of $57,589,000 for a secure chancery capital project in Bogota, Colombia. At this time, adult dependents are allowed to accompany officers to post under authority of legislation included in P.L. 98-164; the committee report language noted that "there are legitimate circumstances which warrant payment of the danger pay allowance at times when nonessential personnel or dependents have not been evacuated from post." There are approximately 30 dependents at post.

In FY 1987, an estimated $28,912,000 will be required for chancery construction in Kampala, Uganda. Dependents were recently allowed to return to Kampala; however, the Department understands that the conditions which warranted authorization of danger pay have changed to the extent that the danger pay may be withdrawn in the near future. Approximately nine dependents are returning to post.

Question:

7. There is concern that the hardening of our posts will turn the terrorists to less protected facilities outside the posts. What is the Department's plan for protecting such alternative targets?

Answer:

We recognize this strong possibility and have taken a number of steps to protect alternative targets. The primary target is presumed to be office buildings and annexes. Perimeter security and public access controls at those installations have been upgraded to the extent possible with the funds made available in the FY 1985 Security Supplemental. Secondary targets include the Chiefs of Mission, U.S. Marine Security Guards, and U.S. Government employees. Perimeter security at the residences of Chiefs of Mission and U.S. Marine Security Guards is being enhanced. We have requested funds in the FY 1986 Security Supplemental now being considered by the Congress to provide residential security in varying degrees at residences of the employees of all foreign affairs agencies.

Residential security improvements range from the installation of solid core exterior doors, door and window locks, door viewers, and lighting at the entrances and exits at low threat posts to the installation of grilles, alarm systems, internal safehavens, communications nets, fences and perimeter lighting at critical threat posts.

At our critical threat posts, guard services will be provided. These will consist of 24-hour fixed guard coverage at all residences as well as armed patrols with emergency response capability. In addition, these posts will receive funds to establish armored security transport for all employees.

Personnel at our high threat posts will have the benefit of guard coverage in the forms of patrols and emergency response teams. In addition, static guards will be provided for the residences of the Chiefs of Mission, Principal Officers, and individuals against whom there is a specific threat.

Question:

8. If our Embassies in Iran, Pakistan, Libya, and Lebanon had been up to Inman standards, would there have been a difference in the outcome?

Answer:

No physical security standards could have prevented the action taken in Iran and Libya. The governments approved the takeover of our installations. Enhanced security would have made a difference in the outcome of the events that occurred in Lebanon and Pakistan. In the case of Pakistan, perimeter barriers meeting current security standards could have delayed the mobs sufficiently to enable host government forces to intervene. The first bombing in Lebanon would have been avoided if there had been a setback of the office building and perimeter walls and barriers had been in place. In the case of the second bombing, the gap in the perimeter defense (vehicular entrance) allowed the terrorist to penetrate the compound.

Project Priority

Question 1:

The threat is certainly not the same to all these posts. Has the Department ranked the construction projects by the level of threat?

Answer:

Yes, the Department has ranked the construction projects by threat. A separate Classified Attachment is provided which itemizes the threat level for each project in the 1986 Security Supplemental and 1987 Capital Projects.

Question 2:

Are the requests before the subcommittee in priority order, i.e., are the fiscal 1986 projects the sites of the highest threats; the 1987 projects, the next highest, etc.? If not, why not?

Answer:

Nearly all planned security improvements are to be carried out in the same priority order as the world-wide physical and technical threat level determined by the Department. The few exceptions to this rule generally concern completion costs for security projects which have previously been partially funded by two FY 1985 Security Supplementals and the 1986 appropriation for Acquisition and Maintenance of Buildings Abroad. The additional costs for projects in these previous appropriations reflect new requirements based on recently strengthened global security standards for our facilities abroad.

SITE ACQUISITION

The 1986 supplemental includes $32,650,000 for site acquisition at 5 posts, and the 1987 estimate includes $15,559,000 for site acquisition at 18 additional posts.

Question 1:

At which posts has FBO had site acquisition funds available prior to fiscal 1986 that sites still have not been acquired?

Answer:

At one post, Kuwait. The Government of Kuwait has been unable to date to provide a plot of land large enough to accomodate our requirements. We will continue to use the long-term leased property we now occupy until the Kuwaiti government identifies a site which meets our needs.

Question 2:

How solid are the estimates for additional site acquisitions; are definite sites in mind in all cases?

Answer:

Posts furnished the prevailing market prices for sites of 7 to 10 acres that meet the security criteria. Definite sites have not been identified in most cases; there are many prospects, each of which must be examined by FBO survey teams on location. The formal site selection process cannot be completed until funds are made available.

Question 3:

How much land are we getting for each of these 23 projects and what is the cost per acre for each?

Answer:

The following is a summary of the acreage and per acre cost for each of the 23 projects:

Post	Acreage	Cost per Acre
Caracas	10.0	$1,000,000
Kingston	5.0	400,000
Istanbul	20.7	592,270
Izmir	2.0	500,000
Amman	13.5	518,518
Kampala	40.0	400,000
Pretoria	5.0	228,623
Yaounde	10.0	500,000
Bogota	10.0	694,100
Lima	10.0	1,200,000
Chiang Mai	10.0	230,000
Ankara*	1.1	2,363,636
Athens*	3.5	2,857,142
Berlin	10.0	1,100,000
Brussels	10.0	750,000
Budapest	10.0	1,000,000
Prague	10.0	1,600,000
Sofia	10.0	650,000
Vienna	10.0	2,500,000
Alexandria	10.0	600,000
Jerusalem	5.0	2,000,000
Rabat**	8.25	48,309
Tel Aviv	10.0	1,521,000

* acquisition of land adjoining existing property

** subject to GOM approval to exercise option to purchase EMR site

Question 4:

What is the standard for sites as both Caracas and Kingston are now scheduled for 10-acre sites (costing $10,000,000 and $2,557,000 respectively), yet Kingston is projected to have 105 more employees than Caracas?

Answer:

The Department of State's Diplomatic Security Service (DSS) established setback criteria for all "new" Chancery buildings. The criteria states that all buildings must be setback a minimum of 100 feet from all property lines. Therefore, it is estimated that approximately ten acres is needed for all new Chanceries to meet setback requirements.

Four acres were acquired in KINGSTON in 1979 for the new Chancery. However, a building could not be constructed on the site and still get 100 foot setbacks. Therefore, we intend to purchase two lots totaling five acres adjacent to our exisiting site. We would then have a total of nine acres to construct the Chancery. We would have preferred to acquire more land so that the building's footprint would be larger. Since land is not available, the building will have a smaller footprint with more floors.

CARACAS has not been acquired as yet. However, site selection will take place in mid-April. FBO intends to acquire a site with a minimum of ten acres in order that the footprint will be larger, decreasing the building's height.

Question 5:

What accounts for the huge difference in the cost per acre between these two sites?

Answer:

A figure of $2,000,000 was the amount estimated to acquire two lots in Kingston totaling five acres adjacent to our existing four acre site, purchased seven years ago for $557,000. Recent appraisals value the two lots at $281,440-$320,512 per acre. However, these were conservative appraisals which did not factor the USG's position as a special purchaser seeking to acquire two adjacent lots for a special development. One of the owners has shown reluctance to sell since his asking price was almost $800,000 per acre. Nevertheless, our expectation is that the USG's negotiating position, based upon these appraisals, will be strong enough to limit any inflated market values, and enable us to purchase both lots for a maximum of $2,000,000.

In Caracas, land values are high since undeveloped tracts of land are almost impossible to find in the city. A visit to Caracas by a site selection team is scheduled for mid-April. On completion of that trip, we will have a fairly accurate cost estimate of the Caracas site.

CONSTRUCTION COST ESTIMATES

Question 1:

Am I correct that the construction cost estimates are based on applying a Washington D.C. construction cost to the post's square footage requirements, and then adding an inflation factor for the particular post; or just how are the construction costs computed?

Answer:

Just as they do from region to region in the United States, construction costs vary from country to country. For example, in the continental United States the least expensive area to construct office buildings is Greensboro, South Carolina, with San Francisco, California being the most expensive. To forecast costs for planning and budgeting purposes the Office of Foreign Buildings utilizes a computerized estimating system which uses Washington D.C. building square foot costs as a base cost. These costs are converted to a projected cost in the various foreign countries by a construction difficulty factor, depending on the location. In some countries the cost is less than in Washington D.C., in others it is the same or more than the cost in Washington, D.C. The base cost is then escalated to the projected mid-point of construction.

The construction escalation rate is weighted to cover the projected portion of local materials and labor in the foreign country effected by its inflation rate. The inflation rate is tempered by the exchange rate of the U.S. dollar to the local currency. The other portion of the inflation rate covers project inflation for the U.S. materials and/or U.S. labor projected to be used in the job. Respectively, the weights are 75% foreign and 25% U.S. Once the basic building estimate is computed, projected costs are added for sitework, including parking lots, utilities, and perimeter walls. Estimated costs for specific requirements covering security and communications are added to the basic building estimates. These costs are based on a cost model and vary building to building depending on the projected size.

Question 2:

Do your construction estimates bear any semblance to the prevailing wage rates in the countries where construction is planned?

Answer:

Generally, the local wage rate does not have as much impact on the cost as the productivity and experience of the worker. In countries where construction workers receive a very low wage, the workforce is often the least productive, must be constantly supervised and trained, resulting in higher costs. The oppposite scenario occurs in industralized nations where workers have been trained and receive comparable living wages based on their skills.

Question 3:

Please prepare a list for the record indicating for each of the 98 posts (note: verbally amended to projects in the FY 86 supplemental and FY 87 budgets only) of the total amount requested, the number of employees expected at each post, and the cost of the security enhancement per employee at each post; as well as the total costs of all posts, the total number of employees at the 98 posts (for which there are projects proposed) and the overall cost per employee. Please explain any posts where the costs per employee exceed 25% of the overall cost per employee.

Answer:

POST	AMT. REQ	NO.EMPLOYEES	COST/EMPLOYEE
AMMAN	$47,254	205	$230,507
CARACAS	48,476	192	252,479
DHAKA	20,112	202	99,564
DJIBOUTI	2,600	36	72,222
DOHA	17,574	26	675,923
GEORGETOWN	17,389	71	244,915
GENEVA	56,170	180	312,056
ISTANBUL	45,957	156	294,596
IZMIR	13,119	24	546,625
KHARTOUM	36,350	138	263,406
KINGSTON	55,545	297	187,020
KUWAIT	37,816	89	424,899
LA PAZ	39,303	180	218,350
LONDON			
MANAMA	15,509	86	180,337
MOGADISHU	35,101	172	204,075
MOSCOW			
MUSCAT	33,275	68	489,338
NICOSIA	18,683	65	287,431
SANAA	31,211	194	160,881
SANTIAGO	50,656	185	273,816
TEGUCIGALPA	17,424	194	89,814
TUNIS	33,330	257	129,689
ABIDJAN	39,069	153	255,353
ABU DHABI	29,052	59	492,402

POST	AMT. REQ	NO.EMPLOYEES	COST/EMPLOYEE
ALEXANDRIA	24,752	36	687,556
ANKARA	48,446	241	201,021
ATHENS			
BERLIN	56,160	84	668,571
BOGOTA	57,589	251	229,438
BONN			
BRUSSELS	53,814	396	135,894
BUDAPEST	51,860	102	508,431
CAIRO	54,608	276	197,855
CHIANG MAI	20,079	58	365,155
JERUSALEM	41,083	71	578,633
KAMPALA	28,912	40	722,800
LIMA	68,640	225	305,067
PARIS			
PRAGUE	71,306	75	950,747
PRETORIA	34,135	130	262,577
RABAT	34,883	297	117,451
SOFIA	38,024	53	717,434
TEL AVIV	83,422	299	279,003
TOKYO			
VIENNA	89,253	366	243,861
YAOUNDE	29,355	91	322,582
	TOTAL	6,320	

Average overall cost: $262,583
Average plus 25%: $328,230

Explanation of costs where cost per employee exceeds overall cost per employee by 25%:

DOHA, MUSCAT, and ABU DHABI: Construction costs in these three posts rank among the highest in the world. This is due to the fact that labor and materials must be imported.

IZMIR, CHIANG MAI, and ALEXANDRIA: Fixed security and communications equipment at small posts are the same as in larger posts. These requirements have escalated project costs by over 50%.

KUWAIT: The total amount includes $12,000,000 for the site. Site costs equate to $134,831 per person.

BERLIN, PRAGUE, BUDAPEST, and SOFIA: High site costs plus the expense of providing cleared American contractor personnel bring the costs of this post higher than the average.

JERUSALEM: High site costs equate to $140,000 per person. Stringent security and communications account for another $167,000 per person.

KAMPALA: Site costs using the projected $10,000,000 equate to $250,000 per person. As discussed on April 2, 1986, the Department hopes to reduce site costs significantly. Labor and materials must be imported.

FURNITURE AND FURNISHINGS

Question 1:

I thought that these estimates were lean. Why is $97,642,000 budgeted for furniture and furnishings as part of the cost of these projects? Aren't our facilities adequately furnished at these posts?

Answer:

Two factors are considered in the calculation for furniture and furnishings needs at post. The first is the condition of the existing furniture. In the majority of cases the furnishings in these posts are in poor condition. The second is the planned use of reconditioned furniture for recycling into the new building. In many cases we have shown a recycle figure taking into consideration that there will be some additional costs for repair.

The Department's estimates are based on the cost of procuring American furniture and furnishings [drapes, carpeting, etc.], as well as other space requirements. These costs are equal to, and in most cases lower than, the procurement costs of other government agencies. The budget estimates also include cost of warehousing, shipping, consolidation and containerization, which amounts to approximately 50% of the total projected costs.

In light of the size of the estimated furniture and furnishings budget request, A/FBO will be further investigating, through the use of private sector program managers, means to further effect cost controls and reductions of this category through procurement in volume and more intensive on-site evaluation of existing furniture and furnishings. This will enable us to maximize recycling of existing furniture and furnishings and to evaluate--under the provisions of the Buy American Act--whether sources of furniture of the same quality and standard are available from local manufacturers for 50% or less than the cost of furnishings of U.S. manufacture.

Question 2:

The 1986 supplemental request includes $11,449,000 for furniture and furnishings. What is the present status of the construction at the 6 posts for which the furniture and furnishings are requested? Please also supply similar information for the 20 posts budgeted for $43,522,000 in furniture and furnishings in fiscal 1987?

Answer:

The six posts in the FY-86 request are presently under design. The 1987 Budget reflects the planned costs for furniture and furnishings (F&F) for the 20 capital construction projects. F&F funding is requested in the total cost of the project by fiscal year but may not be utilized until construction is started. There is a long lead time in ordering furnishings for delivery overseas.

REPLACING FOREIGN SERVICE NATIONALS AT SOVIET AND EAST EUROPEAN POSTS

Question:

1. On page S&E 84, there is an excerpt from the current State Department authorization act that calls for a reduction of foreign national employees at our posts in the Soviet Union. When was this expanded to cover our posts in Eastern Europe?

Answer:

There is not a Congressional mandate to reduce the number of local employees in our Embassies in Eastern Europe. However, the State Department has undertaken a security enhancement program, which, as funds allow, calls for the recruitment of a number of additional American support personnel for Eastern Europe. Some of these Americans would replace local employees. The additional American staff is required to establish central office areas at each embassy where only cleared Americans have access at any time.

Question:

2. It is my understanding that the Foreign Service doesn't usually include many of the occupations staffed by the FSNs to be replaced at these posts. Somebody has got to hire the Americans, so why doesn't the Department replace the FSNs with full-fledged American employees instead of contract personnel?

Answer:

The Foreign Service does not have career American employees for most of these FSN occupations. That is the primary reason we are seeking contractor replacements for the FSNs. If we hired regular, full-time, permanent U.S. employees, we could offer them employment for limited periods in Moscow and perhaps a tiny number of additional posts. This would not constitute a career. Thus, we would have the disadvantages of direct-hire (recruiting, training and other overhead costs, limited job tenure, etc.) with none of the benefits which are associated with career employees (loyalty, discipline, dedication).

Question:

3. What is the average cost of the contract personnel to replace the FSNs as compared with the average cost of a regular American employee?

Answer:

We estimate that the average cost of contract personnel will be $295,000, compared with an average figure of $185,000 for a regular American employee.

Question:

4. If we replaced the FSNs with regular American employees at these posts, what would be the full annual cost that compares to the $28,320,000 add-on for employing contract personnel?

Answer:

We estimate that hiring regular American employees would cost in excess of $21 million per year, which does not include incremental increases in Departmental staff needed for recruitment, training and processing of direct hire employees. The $28,320,000 add-on for contractors includes start-up costs of roughly 20% ($5.7 million). We expect that over the five years contract costs will level off at or below estimated direct-hire cost levels.

Question:

5. Ambassador Hartman told the staff in January that he wanted the contract employees given full diplomatic privileges. Other than how they are counted in Federal employment summaries, what other differences will there be between the contract employees and our Foreign Service personnel at these posts?

Answer:

To maintain security and in keeping with reciprocity, American contract employees hired to replace Soviet locals will have full diplomatic immunities. They will be registered with the Soviets as technical personnel assigned to the Embassy or to the Consulate General in Leningrad. They will have the same official standing with the Soviets as career employees accredited in the same fashion. Given costs and limited resources, the Embassy will not give contract personnel the same privileges as career personnel, however. For example, contractors will not be allowed to have personally owned vehicles at post; most contractors will be unaccompanied by family members; their tour of duty will be determined by the firm they work for and not by the State Department.

Question:

6. Ambassador Hartman also said that preference should be established for spouses of American officials in the Embassy for the contract positions. Since these persons already have clearances, this makes sense. In January, 37 U.S. dependents were already working at the Embassy.

a. Does the Department plan to establish a preference for spouses and dependents for the contracted positions?

b. Does the contracting out of the FSNs mean that the salaries paid spouses and dependents will be increased to the salaries paid the contract personnel? If yes, what is the cost of that increment? If no, what will prevent the employed spouses and dependents from switching to the contractor positions and creating more positions to be filled by contractors?

Answer:

a. To reduce transportation and housing costs as well as to take advantage of a reliable and qualified pool of American labor already present in the Soviet Union, the Department does plan to establish a contract job preference for spouses and dependents of Foreign Service personnel, businessmen, and contractors assigned to the U.S.S.R.

b. The salaries paid spouses and dependents by a contractor is a matter to be worked out between them. The Department is not suggesting any salary scale, but competition for the contract is expected to keep salary scales down. Still, in a competitive market, it is likely that a contractor will pay more to fill his jobs than the minimum salary currently being paid dependents by the Embassy. To be fair and to minimize morale problems in the difficult Soviet environment, the Embassy may have to raise its contract wages within guidelines to be provided by the Department. However, there are many contract positions that will not be attractive to dependents, so we expect that there will continue to be dependent candidates for the Embassy's jobs.

GENERAL ADMINISTRATION AND DIRECTION

Question:

1. For general administration and direction, a total of 77 positions are requested, including:

Immediate Office of Assistant Secretary	6
Public Policy Office	6
Public Affairs Office	6
Resource Management	54
	72

Why does the Bureau of Diplomatic Security require a Public Affairs Office?

Answer:

It is envisioned that the Public Affairs Office will perform a number of important functions for the Bureau of Diplomatic Security. These include areas such as:

-- directing the development and execution of public information policies and programs in the area of diplomatic security, including news policy, media information programs and press relations;

-- serving as the principal adviser to the Assistant Secretary and other bureau officials on all public affairs, press relations and information aspects of the bureau's activities; and

-- coordinating liaison between the bureau and U.S. Government security and law enforcement agencies, public affairs bureaus and U.S. business corporations and organizations concerned with diplomatic security affairs, information and education.

Question:

2. Please list for the record the other Bureaus of the Department that have their own Public Affairs staff and the number of positions each such Bureau assigns this activity?

Answer:

The following bureaus in the Department of State have Press and Public Affairs staffs:

Bureau	Positions
African Affairs	5
Inter-American Affairs	9
East Asian and Pacific Affairs	5
European and Canadian Affairs	13
Near East and South Asian Affairs	7
International Organizations	5
Consular Affairs	5
Political-Military Affairs	6

It should be pointed out that the Public Affairs Office in the Bureau of Diplomatic Security will be involved in the production of media materials -- such as brochures, audiovisual media, posters and exhibits -- in addition to the press and public relations functions of these offices.

Question:

3. How many positions from the Bureau of Administration are being transferred to the new Bureau of Security? Please describe the positions to be transferred and the basis for their selection.

Answer:

In the area of management and administration, a total of eleven full-time and one part-time positions were transferred from the Executive Office of the Bureau of Administration to the new Bureau of Diplomatic Security. The positions were chosen based on the extent to which they supported the activities of the Office of Security, which contributed the majority of positions to the Bureau of Diplomatic Security. These twelve positions, which will be used as the core of the new Bureau's staffing for the Executive Office function, include one Management Analyst, two Budget Analysts, one Support Services Specialist, four Personnel Management Specialists, one clerk/typist and two vacancies (full-time), and one Personnel Technician (part-time).

SECURITY TRAINING CENTER

Question:

The Department plans a 100,000 square foot security training center to be located at the new Arlington Hall site of the Foreign Service Institute.

1. Is it expected that all the present training now conducted by the Office of Security will be transferred to this Center?

Answer:

No. Basic Agent training for newly-hired security officers will continue to be given at the Federal Law Enforcement Training Center at Glynco, Georgia. Also, driver training, some firearms training, and some lectures by other agencies will be given off-site.

Question:

2. Does the principles of evasive driving course include behind-the-wheel training? Is the Arlington Hall site large enough to accommodate such training?

Answer:

Yes, the evasive driving course includes behind-the-wheel training. This will be given off-site, as the Arlington Hall facility will not have a driving track.

Question:

3. How many instructors and other staff will be stationed at the center to require 45 offices?

Answer:

One hundred three. This includes the Mobile Training Teams who deliver training at foreign service posts overseas.

Question:

4. Arlington Hall already has a gym. Why do we have to build another one?

Answer:

The intention is that the architect will plan to rehabilitate and modify as necessary the present gym. We do not expect to build a second one.

Question:

5. How much will we sink into a temporary training center while the permanent center is being built?

Answer:

We estimate the rental and maintenance cost of a temporary facility to be $8,766,000 over a five-year period until the new facility comes on line.

PROTECTION OF DIPLOMATIC AND CONSULAR OFFICIALS IN THE UNITED STATES

Question:

1. A total of 126 positions are required for the protection of diplomatic and consular officials in the United States. The justifications are confusing as they speak to 25 additional special agents for protective security, and 95 for protection of diplomatic and consular officials in the United States. Please explain the difference.

Answer:

The Department of State has responsibility for protecting high-level foreign officials visiting the United States below the level of Head of State or Head of Government. This usually means such persons as royal family members, foreign ministers and deputy heads of government. Twenty-five agent positions have been designated to alleviate the past understaffing. The additional 95 positions are designed to bring staffing of protective details for visiting Foreign Dignitaries up to a minimum standard as recommended by the Secretary's Advisory Panel on Overseas Security. The positions are also needed to staff protective details on threatened Ambassadors and other foreign officials accredited by the United States.

Question:

2. The justifications (S&E 35) also talk about 10 teams of special agents. How do these teams fit into the above two overall missions?

Answer:

It is anticipated that the Department will be required to provide protection for 10 foreign ambassadors who are residing in the United States. The 10 teams would constitute protective details for these ambassadors.

Question:

3. How much overtime was paid to the Department's special agents in 1984 and 1985 and how much is estimated for 1986 and 1987?

Answer:

A total of $1.8 million in overtime compensation was paid to Office of Security (now Bureau of Diplomatic Security) personnel in FY 1984 and $2.0 million in FY 1985. The majority of this amount went to Special Agents serving on protective details for the Secretary of State, visiting foreign dignitaries, and other high-level officials. Since the requirement for protective details is highly variable, and the total future staffing for the Bureau is not specifically known, it is extremely difficult to project overtime amounts for future years. It will probably not differ significantly from the amounts for previous years.

Question:

4. What was the average number of overtime hours and the average overtime paid to the special agents in 1984 and 1985? Will the additional agents decrease the average overtime worked by the agents?

Answer:

On average, Office of Security personnel -- including

Special Agents and other categories -- received approximately $3,000 each for about 200 hours of overtime work in each of the past two fiscal years. It is anticipated that hiring additional Special Agents, particularly to staff protective details which account for the majority of the overtime, will reduce these amounts in future years.

Question:

5. When a head of state visits the United States, will State provide protection to both the dignitary and spouse, so that we will no longer have one agency protecting the official and another his family?

Answer:

Effective May 1, 1986, the U.S. Secret Service will provide protection to both the Head of State and spouse when both are in the U.S. together.

PROTECTION OF CHARLES Z. WICK

I will make part of the record a Memorandum of Agreement of 1982, wherein the Department of State accepted "protective responsibility for Mr. Charles Z. Wick, Director of the International Communication Agency during his visits outside the United States."

Question:

1. Besides Mr. Wick, who else outside of the Department does State's Office of Security provide such protection?

Answer:

USIA Director Wick is the only official outside the Department who routinely receives a security detail provided by the Department.

Question:

2. What makes Mr. Wick more unique than all other government officials that he is afforded overseas protective security?

Answer:

An internal USIA memorandum dated February 3, 1982, indicates that Mr. Wick's close association with the President and role in unmasking Soviet propaganda makes him a likely target. The memorandum further indicates that CIA Director Casey thought the risk to Mr. Wick was sufficient to require the Department's protective services.

Question:

3. How many bona fide threats have there been on Mr. Wick since he took office?

Answer:

While we are unaware of any specific threats directed at Mr. Wick, his frequent travel, high visibility on behalf of the administration and close association with the President make him a likely target of opportunity.

Question:

4. In January Mr Wick travelled to Russia. He was accompanied by security personnel. Did the Department really believe that protection was required in such a tightly controlled environment?

Answer:

The security agents who travelled with Mr. Wick to Russia served as the point of contact between Soviet security and Mr. Wick's party. The party also transited London and Frankfurt.

Question:

5. Please list for the record all of Mr. Wick's overseas trips covered by this Memorandum of Agreement since it went into effect. The listing should show the date and itinerary and cost of the protective security for each trip, and the total number of trips and costs for each fiscal year.

Answer:

DATE	ITINERARY	COST
1/30/82-2/22/82	Europe	$31,128
3/29/82-4/8/82	Austria	17,985
5/12/82-5/16/82	W. Germany, U.K., France, Italy	9,476
7/24/82-7/30/82	Mexico	6,139
8/7/82-8/11/82	Europe	7,996
9/3/82-9/16/82	Europe	20,007
	TOTAL - FY 1982	$92,731
10/23/82-11/13/82	London, Lagos, Kinshasa, Johannesburg, Nairobi, Harare, Paris	$29,178
11/30/82-12/9/82	Paris, Rabat, Tangier, Marakech, Casablanca	15,775
3/6/83-3/16/83	Brasilia, Rio de Janeiro, Sao Paulo	15,987
4/3/83-4/27/83	Singapore, Jakarta, Bangkok, Tokyo	21,463
6/22/83-7/1/83	London, Bonn, Hamburg	13,959
	TOTAL - FY 1983	$96,362
10/10/83-10/28/83	Cairo, New Dehli, Paris, Tel Aviv, Jerusalem	$24,204
1/10/84-1/15/84	Panama, Costa, Rica, El Salvador, Honduras	5,476
1/29/84-2/12/84	Brussels, Frankfurt, Paris, Rome, London	21,056
3/30/84-4/5/84	West Berlin	11,744
4/22/84-5/7/84	London, Nice, Amman, Bahrain, Riyadh	23,881

DATE	ITINERARY	COST
5/25/84-6/4/84	Japan, Korea	17,342
9/27/84-10/6/84	London, Paris, Bucharest, The Hague	20,625
	TOTAL - FY 1984	$124,328
11/7/85-11/18/85	Paris, Oslo, Copenhagen, Brussels	$17,203
2/1/85-2/5/85	Nassau	5,603
2/22/85-3/10/85	Paris, Rabat, Casablanca, Geneva, Colombo, Bangkok, Tokyo, London	29,741
4/7/85-4/11/85	London, Paris	24,815
8/7/85-8/23/85	Australia, Hong Kong, London	33,265
	TOTAL - FY 1985	$110,627
10/4/85-10/25/85	Berlin, Munich, Frankfurt, Bonn, Brussels, Paris, London	$16,204
11/15/85-12/1/85	Geneva, Rabat, London	20,848
1/12/86-1/22/86	Moscow, London, Frankfurt	16,561
3/2/86-3/5/86	Morocco	6,268
	TOTAL - FY 1986	$59,881

Question:

6. Has the Department been fully reimbursed by ICA/USIA for its costs in carrying out this agreement.

Answer:

The Department has been reimbursed under the provisions of the Economy Act, Title 31, USC 686 for costs incurred in protecting Mr. Wick.

The Multi-Fiber Arrangement

Question: In the March 24 edition of the Washington Post, you were quoted as saying the international "Multi-Fiber Arrangement" was "a terrible system". Would you please give your reasons for that observation. How does your opinion fit in with the Administration's negotiating position on a new MFA?

Answer: The Multi-Fiber Arrangement (MFA) provides a framework for the orderly expansion of international trade in textiles and apparel; it is a derogation from the free trade principles embodied in the General Agreement on Tariffs and Trade (GATT). While the need to regulate textile trade may not be ideal from a free trade viewpoint, the MFA serves an important political function in setting out the basic rules of this trade and in permitting the United States and other importing countries to conclude bilateral textile agreements which serve to protect our domestic industries from being disrupted by imports.

This Administration believes that the Multi-Fiber Arrangement serves a useful purpose. We are currently engaged in negotiating for a new MFA with instructions from the President to negotiate an agreement no less favorable to the United States than the current one.

International Telecommunications - Meetings and Conferences

Question:

During FY 1985 and FY 1986, officials of the U.S. government attended many international telecommunications meetings/conferences with foreign governments and international organizations. How many meetings were attended by officials of the State Department? Who at the Department attended each of these meetings? Who led the U.S. delegation at each of these meetings? What was the purpose of each meeting? Where was each meeting held? What specific activities did the U.S. engage in to further the purposes of each meeting?

Answer:

We have attached the final delegation lists of all U.S. delegations accredited to the meetings/conferences of the International Telecommunications Union, including the International Consultative Committes (CCIs), INTELSAT, INMARSAT, CITEL, and the OECD/ICCP during the period from October 1, 1984 to March 31, 1986. Each delegation list identifies the chairman of the delegation, the place and date of the meeting, and the composition of the delegation. Funding for a majority of the USG delegates accredited to these meetings was provided by the Office of International Conferences in the Bureau of International Organization Affairs in the Department of State.

In addition to delegations accredited to international conferences and meetings we have attached summaries of the more significant bilateral consultations, discussions and special meetings in which the Department participated during this period.

In answering these questions we have followed the format for responding to congressional questions re conferences/meetings. The following is a sample of the format:

1. Specify Organization/Suborganization--e.g. CCIR Study Group ( ) and IWPS, CCITT Study Group ( ) and IWPs, IFRB, Administrative Council, ICCP, etc.

2. Dates and Place--

3. Head of Delegation--

4. Other USG Agency Representatives on delegation -- e.g. State ( ), FCC ( ), NTIA ( ), DOD ( ), NASA ( ), USTR ( ), etc.

5. Private Sector Representatives--

6. Purpose--

7. Diplomatic Activities to Promote U. S. objectives--

8. Follow-up

Attachments:

As stated.

INTERNATIONAL TELECOMMUNICATION UNION

1. Intersessional Activities of the High Frequency Broadcasting WARC

2. (a) IFRB Information Meeting on HFBC -- Geneva, January 11 - 18, 1985.

(b) European Broadcasting Union Special Group RI/HF on Technical Preparations for 2nd session of HFBC -- Brussels, March 24 -30, 1985

(c) WEOG Strategy Meeting and Informal Meeting with IFRB HFBC Staff -- Geneva, May 19-25, 1985

(d) WEOG Meeting Concerning Second Session of HFBC, London, November 6-9,1985.

(e) IFRB HFBC Information Meeting, Geneva, February 3 - 9, 1986

(f) Bilateral Consultations with Brazil, Brasilia, March 3-4, 1986

3. Head of Delegation: (a) Warren Richards (State/CIP), (b) Warren Richards (State/CIP), (c) Warren Richards (State/CIP)/Dr. Charles Rush (USDOC/NTIA), (d) Warren Richards (State/CIP), (e) Anatole Shub (State/CIP), (f) Anatole Shub.

4. Other USG Agency Participation of Washington-Based Personnel (a) NTIA, VOA, RFE/RL, NTIA/ITS; (b) None, (c) None, (d) NTIA, BIB, RFE/RL, VOA, NTIA/ITS, (e) NTIA (2), VOA (2).

5. Private Sector Participation -- None for all meetings

6. Purpose -- This series of meetings has been to review the progress of the IFRB in developing the planning algorithm that will be used for the second session of the HFBC. The meetings with the WEOG members has been to develop strategy for the second session.

7. Diplomatic Activities to Promote US Objectives --These meetings have been critical to promote the US point of view concerning the second session and bringing about modifications in the IFRB's developed planning algorithm. The sessions with the IFRB also led to increased attention being devoted to monitoring the incidences of harmful interference to broadcasting in the HF Bands.

8. Follow-Up--The HFBC second session will convene in January,1987. Diplomatic activity will increase as the date for that conference draws near. One result so far has been the increased cooperation among the Western allies to coordinate their monitoring programs to identify location of those stations jamming US broadcasts.

INTERNATIONAL TELECOMMUNICATION UNION

1. Bilateral Consultations on First Session of Medium Frequency Regional Administrative Radio Conference

~~2.~~ Mexico, Argentina, Chile, and Brazil - February 6-19, 1986

3. Head of Delegation -- James McKinney, FCC

4. Other USG Representation of Washington-based Personnel -- State (1)

5. Private Sector Representation -- None

6. Purpose -- Discussion of preparations and positions for the MF RARC and also US positions for the CITEL meeting in Fortaleza.

7. Diplomatic Activities to Promote US Objectives -- Department of State had responsibility for coordinating US preparations for MF RARC. US Embassies in capitials participated in discussions with host country officials on conference issues.

8. Follow-Up -- US Embassies in Western Hemisphere were instructed to carry out demarches requesting host governments to support US positions. Posts will also be receiving instructions as required during the conference.

INTERNATIONAL TELECOMMUNICATION UNION

1. Special Meeting of Group of Experts to Draft a New Permanent Instrument

2. January 27 - February 1, 1986, Geneva

3. Head of Delegation -- Thomas Ramsey

4. Other USG Participation of Washington-based Personnel -- State -2 (CIP-1, L-1), FCC - 1, NTIA - 1.

5. Private Sector Representation -- None

6. Purpose -- Initial meeting of the Panel of Experts charged with drafting a permanent basic instrument for the ITU.

7. Diplomatic Activity to Promote US Objectives --The development of a common position among the industrialized countries has been a topic of discussion during the comprehensive bilateral consulations and during the annual meeting of the ITU Administrative Council.

8. Follow- Up Activities -- This will be an item of extensive consultation in advance of the second meeting of the Panel of Experts.

INTERNATIONAL TELECOMMUNICATION UNION

1. SPACE WARC -- Bilateral Consultations

2. Various (See Below)

3. Head of Delegation -- Dean Burch, Private Sector

4. Other USG Agency Representation, Washington-based personnel: Multiple

5. Private Sector Representation -- Multiple

6. Purpose -- To consult with foreign government officials on issues related to the first session of the Space WARC held in Geneva from August 8, 1985-September 13, 1985.

7. Diplomatic Activities to Promote US Objectives -- The travel of the principal members of the SPACE WARC Delegation in

advance of the first session was to build an understanding of the US position on the major issues. This travel enabled the United States to develop appropriate strategy in advance of that conference to promote US objectives during the long negotiations.

8. Follow-Up --Much of the follow-up action took place during the course of the actual negotiations. In many cases, however, US Foreign Service Officers were instructed to make demarches with host country officials as the conference progressed.

Space WARC - Bilateral Travel

Dean Burch (Chairman)
London, Brussels, Geneva, November 7-17,1984
Mexico City- Buenos Aires, March 11- 23, 1985
Ottawa, February 10 - 12, 1985
Paris-Moscow-Stockholm, May 27, 1985 - June 7, 1985
Tokyo-Beijing-Hong Kong, June 15- July 1, 1985

Harold Kimball - (Executive Director)
Montego Bay, Jamaica, October 1-5, 1984
London-Brussels-Geneva, November 7-17, 1984
Paris-Geneva, February 24 - March 3, 1985
Mexico City-Buenos Aires, March 11-23, 1985
Paris-Moscow-Stockholm-Belgrade, April 27-June 8, 1985
Frankfurt-Nairobi-Bombay-Bangkok-Hong Kong-Tokyo-April 19-May 11, 1985
Geneva-Madrid-Lisbon, July 10-19, 1985

Donald Tice - (Vice Chairman)

London-Brussels-Geneva, November 7- 17, 1984
Ottawa, February 10-12, 1985.
Caracas-Bogota-Santiago-Buenos Aires , March 10-21, 1985
Tokyo-Beijing-Hong Kong- New Delhi-Kuwait, Athens, Algiers, June 15-28, 1985

Richard Shrum (Vice Chairman)
Moscow-Stockholm-London, May 27-June 6, 1985

Robert Brewster (Leader of Consultative Delegation)
Caracas-Bogota-Santiago-Buenos Aires

Rush Taylor
Geneva, September 7 -14, 1985 (Attend Space WARC)

Thomas Ramsey
Geneva (Attend Space WARC)

In addition to the bilateral consultations described above, the Department of State conducted multilateral consultations with countries in the Caribbean Region in Montego Bay, Jamaica from October 1 -7, 1984. Ambassador Diana Lady Dougan headed the US Delegation to that meeting. Other USG participation included representatives from State -4 (2 CIP, 1 ARA, 1 EB), FCC-2, NTIA-2, NASA - 1, Copyright Office- 1, and USIA -1. Three representatives from the private sector also participated.

ANNEX A

U.S. DELEGATION TO THE WORLD ADMINISTRATIVE RADIO CONFERENCE ON THE USE OF THE GEOSTATIONARY-SATELLITE ORBIT AND THE PLANNING OF SPACE SERVICES UTILIZING IT

Geneva, August 8 - September 13, 1985

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INTERNATIONAL TELECOMMUNICATION UNION

1. Administrative Council

2. July 1-17, 1985

3. Head of Delegation - State (Barbely)

4. Other USG Agencies - State (4); FCC (1); NTIA (1)

5. Private Sector Representatives - None

6. Purpose - Annual meeting of the forty-one member Council to review and approve the Union's budget, consider personnel matters, coordinate activities of the permanent organs, schedule conferences and develop agendas for those conferences.

7. Diplomatic Activities to Promote U.S. Objectives - Formal and informal discussions with other member administrations prior to and during the meeting.

UNITED STATES DELEGATION
TO THE
ADMINISTRATIVE COUNCIL MEETING
INTERNATIONAL TELECOMMUNICATION UNION (ITU)
GENEVA, JULY 1 - 17, 1985

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INTERNATIONAL TELECOMMUNICATION UNION

1. Advisory Board of the Center for Telecommunications Development

2. Geneva, November 22-24, 1986

3. Head of Delegation -- Paul Vishny, General Counsel, US Telecommunications Suppliers Association (USTSA)

4. Other USG Agency Representatives, Washington-based Personnel-- State-2 (CIP), NTIA (1)

5. Private Sector Representation -- US Representative is from private sector.

6. Purpose -- The Center for Telecommunications Development was recommended by the Independent Commission for Worldwide Telecommunications Development. This was the first organizational meeting of the Center's Advisory Board.

8. Diplomatic Activity to Promote US Objectives -- The US engaged in extensive diplomatic activity to promote the US concept regarding the Center during the course of bilateral consultations and during meetings of the ITU. In addition, the Department of State, through its Ad Hoc Group on Communications Development Assistance, developed positions regarding the Center in close consultations with US industry and the private sector. The Department of State also sent a CIP staffer to attend the First World Telecommunications Development Conference in Arusha which was the final meeting before the report of the Independent Commission was to be reviewed at the 40th session of the ITU Administrative Council.

A CIP staffer also attended a conference on development of an Eastern Caribbean Regional Telecommunications systems in St. Thomas.

9. Follow-Up-- The Department of State has worked closely with the Ad Hoc Group in developing positions regarding the Center and in identifying appropriate candidates from the US to compete for the senior offices in the Center.

INTERNATIONAL TELECOMMUNICATION UNION

1. CCIR Study Groups (see attachment listing title and field of study of each Study Group)

2. Dates/Places - See attachments

3. Head of Delegation - See attachments

4. Other USG Agencies - See attachments

5. Private Sector Representatives - See attachments

6. Purpose - Consider technical and operational aspects of radiocommunications matters.

7. Diplomatic Activities to Promote U.S. Objectives - Overseas posts are generally not involved in these meetings; however, in the case of Study Group 11, several posts in Europe were requested to ascertain the official position of host governments concerning the subject of high definition television.

8. Follow-up - These are permanent Study Groups of the CCIR and the work activity will continue at a level of at least two meetings during each four-year study cycle.

CCIR STUDY GROUPS

Study Group 1 - Spectrum Utilization and Monitoring
Study Group 2 - Space Research and Radioastronomy
Study Group 3 - Fixed Services at Frequencies Below 30 MHz
Study Group 4 - Fixed Services Using Communication Satellites
Study Group 5 - Propagation in Non-Ionized Media
Study Group 6 - Propagation in Ionized Media
Study Group 7 - Standard Frequencies and Time Signals
Study Group 8 - Mobile Services (Aeronautical, Maritime and Land)
Study Group 9 - Fixed Service Using Radio-Relay Systems
Study Group 10 - Broadcasting (Sound)
Study Group 11 - Broadcasting (Television)
Study Group CMTT - Transmission of Broadcasting Signals over Long Distances)
Study Group CMV - Vocabulary

UNITED STATES DELEGATION TO THE STUDY GROUP 1 INTERNATIONAL RADIO CONSULTATIVE COMMITTEE, INTERNATIONAL TELECOMMUNICATION UNION (ITU/CCIR) GENEVA, NOVEMBER 4-15, 1985

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UNITED STATES DELEGATION
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INTERNATIONAL RADIO CONSULTATIVE COMMITTEE
INTERNATIONAL TELECOMMUNICATION UNION (ITU/CCIR)
GENEVA, SEPTEMBER 16 - 27, 1985

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UNITED STATES DELEGATION
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STUDY GROUP 3
INTERNATIONAL RADIO CONSULTATIVE COMMITTEE
INTERNATIONAL TELECOMMUNICATION UNION (ITU/CCIR)
GENEVA, OCTOBER 3-11, 1985

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STUDY GROUP 4
INTERNATIONAL RADIO CONSULTATIVE COMMITTEE,
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GENEVA, SEPTEMBER 30 - OCTOBER 16, 1985

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UNITED STATES DELEGATION
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INTERNATIONAL TELECOMMUNICATION UNION (ITU/CCIR)
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GENEVA, SEPTEMBER 16-27, 1985

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INTERNATIONAL TELECOMMUNICATION UNION (ITU/CCIR)
GENEVA, OCTOBER 10-18, 1985

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Office of Space Tracking and Data Systems
National Aeronautics and Space Administration

Advisers

Roger E. Beehler
Chief, Time/Frequency Services
National Bureau of Standards
Department of Commerce
Boulder, Colorado

Harris Stover
Defense Communications Engineering Center
Defense Communications Agency

Gernot M. R. Winkler
Director
Time Service Division
U.S. Naval Observatory

Private Sector Advisers

Lauren J. Rueger
Head, Advanced Technology Planning Office
Space Department
Applied Physics Laboratory
The Johns Hopkins University
Laurel, Maryland

Richard L. Sydnor
Group Supervisor, Time and Frequency
Systems Research
Telecommunications Science and Engineering
Division
Jet Propulsion Laboratory
Pasadena, California

UNITED STATES DELEGATION
TO THE
STUDY GROUP 8
INTERNATIONAL RADIO CONSULTATIVE COMMITTEE
INTERNATIONAL TELECOMMUNICATION UNION (ITU/CCIR)
GENEVA, NOVEMBER 4-20, 1985

Representative

Herbert T. Blaker
Manager, Standards and Certification
Rockwell International
Arlington, Virginia

Alternate Representative

Thomas M. Walsh
Spectrum Plans and Policy
National Telecommunications and
Information Administration
Department of Commerce

Advisers

Fred S. Flatow
SARSAT Mission Manager
NASA/Goddard Space Flight Center
Greenbelt, Maryland

Robert A. Frazier
Electronic Engineer
Federal Aviation Administration
Department of Transportation

Wendell Harris
Chief, International Staff
Common Carrier Bureau
Federal Communications Commission

Gordon F. Hempton (International Chairman)
Technical Standards Branch
Private Radio Bureau
Federal Communications Commission

Joseph Hersey
Frequency Staff
U.S. Coast Guard

Earl J. Holliman
Army Spectrum Manager
HQ Department of the Army

Henry W. Holsopple
Director, Navy Electromagnetic
Spectrum Center
Department of the Navy

William A. Luther
International Adviser
Field Operations Bureau
Federal Communications Commission

Gerald J. Markey
Acting Manager, Spectrum Engineering Div.
Federal Aviation Administration
Department of Transportation

Fred Matos
Spectrum Analysis Branch
National Telecommunications and
  Information Administration
Department of Commerce

Robert C. McIntyre
Aviation and Marine Division
Federal Communications Commission

Lawrence M. Palmer
International Staff
Common Carrier Bureau
Federal Communications Commission

Warren Richards
Office of International Radio
  Communications
Bureau of International Communications
  and Information Policy
Department of State

Frank L. Rose
Chief, Technical Standards Branch
Office of Science and Technology
Federal Communications Commission

Michael S. Singer
Chief, Plans and Policies
Spectrum Management
Federal Aviation Administration
Department of Transportation

Richard Swanson
Frequency Staff
U.S. Coast Guard

James T. Vorheis
Spectrum Plans and Policy
National Telecommunications and
  Information Administration
Department of Commerce

Private Sector Advisers

William M. Borman
Vice President and Director of
  Telecommunications
Government Relations - International
Motorola, Inc.
Washington, D.C.

Theodore Brenig
Mobile Communications Business
General Electric Company
Lynchburg, Virginia

Lewis L. Bradley
Telecommunications Consultant
Systematics General Corporation
Alexandria, Virginia

Charles Dorian
Consultant
American Radio Relay League
Washington, D.C.

Andrew W. Hutnik
High Seas Service
AT&T Communications
Morristown, New Jersey

Yaroslav Kaminsky
Head, Advanced Systems Group
The MITRE Corporation
McLean, Virginia

Philip T. Porter
Bell Communications Research
Red Bank, New Jersey

Alan G. Rinker
Communications and Electronics Division
Systematics General Corporation
Sterling, Virginia

Franklin L. Shilling
Deputy Director, External Affairs
Aeronautical Radio, Inc.
Annapolis, Maryland

Gerald F. Wiggen
Sachs-Freeman and Associates, Inc.
Bowie, Maryland

UNITED STATES DELEGATION
TO THE
STUDY GROUP 9
INTERNATIONAL RADIO CONSULTATIVE COMMITTEE, INTERNATIONAL TELECOMMUNICATION UNION (ITU/CCIR)
GENEVA, SEPTEMBER 30 - OCTOBER 15, 1985

Representative

Alex C. Latker
Federal Communications Commission

Government Adviser

Gerald Hurt
National Telecommunications and
  Information Administration
Department of Commerce
Annapolis, Maryland

Private Sector Advisers

John P. Beckerich
Rockwell International
Dallas, Texas

Adolph J. Giger
Bell Telephone Laboratories
North Andover, Maine

John J. Kenny
Bell Telephone Laboratories
North Andover, Massachusetts

Michael J. Pagones
Bell Telephone Laboratories
Holmdel, New Jersey

William Rummler
Bell Telephone Laboratories
Holmdel, New Jersey

UNITED STATES DELEGATION
TO THE
MEETING OF INTERNATIONAL TELEGRAPH AND TELEPHONE CONSULTATIVE COMMITTEE (CCITT)
STUDY GROUP XVII
INTERNATIONAL TELECOMMUNICATION UNION (ITU)
GENEVA, APRIL 15 - 19, 1985

Representative

Thijs de Haas
Institute for Telecommunication Science
Department of Commerce
Boulder, Colorado

Private Sector Adviser

Richard P. Brandt
AT&T Communications
Basking Ridge, New Jersey

UNITED STATES DELEGATION
TO THE
STUDY GROUP XVIII
INTERNATIONAL TELEGRAPH AND TELEPHONE CONSULTATIVE COMMITTEE (CCITT)
INTERNATIONAL TELECOMMUNICATION UNION (ITU),
GENEVA, JUNE 17-27, 1985

Representative

Thijs de Haas
Institute for Telecommunication
  Sciences
Department of Commerce
Boulder, Colorado

Alternate Representative

Wendell Harris
Federal Communications Commission

Adviser

Gary Fereno
National Telecommunications and
  Information Administration
Department of Commerce

UNITED STATES DELEGATION
TO THE
MEETING OF THE
INTERNATIONAL TELEGRAPH AND TELEPHONE CONSULTATIVE COMMITTEE (CCITT)
STUDY GROUP XVIII
INTERNATIONAL TELECOMMUNICATION UNION (ITU)
LONDON, JANUARY 21-25, 1985

Representative

Thijs de Haas
National Telecommunications and Information Administration
Department of Commerce
Boulder, Colorado

Alternate Representative

Wendell Harris
Common Carrier Bureau
Federal Communication Commission
Washington, D. C.

Advisers

Gary Fereno
National Telecommuncations and Information Administration
Department of Commerce
Washington, D. C.

Frank M. McClelland
National Communications System
Washington, D. C.

Private Sector Advisers

Robert M. Amy
IBM Corporation
Research Triangle Park, North Carolina

Per O. Dahlman
Satellite Business Systems
McLean, Virginia

Wesley E. Henry
Bell Communications Research
Redbank, New Jersey

Ivor N. Knight
ComSat World Systems Division
Washington, D. C.

UNITED STATES DELEGATION
TO THE
STUDY GROUP XVIII
INTERNATIONAL TELEGRAPH AND TELEPHONE CONSULTATIVE COMMITTEE
INTERNATIONAL TELECOMMUNICATION UNION (ITU/CCITT)
KYOTO, DECEMBER 2-13, 1985

Representative

Thijs de Haas
Institute for Telecommunication
Sciences
Department of Commerce
Boulder, Colorado

Advisers

Mike Slomin
Federal Communications Commission

Lawrence Caplan
National Security Agency

Private Sector Adviser

Gary Fishman
AT&T Communications
Bedminster, NJ

UNITED STATES DELEGATION
TO THE
MEETING OF STUDY GROUP SPECIAL "S"
OF THE
INTERNATIONAL TELEGRAPH AND TELEPHONE CONSULTATIVE COMMITTEE (CCITT)
INTERNATIONAL TELECOMMUNICATION UNION (ITU)
GENEVA, FEBRUARY 25-26, 1985

Representative

Earl S. Barbely
Office of International Communications Policy
Bureau of Economic and Business Affairs
Department of State

Advisers

Douglas Davis
Federal Communications Commission

Gary Fereno
National Telecommunications and Information Administration
Department of Commerce

Wendell Harris
Federal Communications Commission

Private Sector Advisers

Richard J. Holleman
IBM Corporation
Purchase, New York

Ivor Knight
COMSAT Corporation
Washington, D. C.

Henry L. Marchese
AT&T Company
Basking Ridge, New Jersey

UNITED STATES DELEGATION
TO THE
STUDY GROUP CMTT
INTERNATIONAL RADIO CONSULTATIVE COMMITTEE
INTERNATIONAL TELECOMMUNICATION UNION (ITU/CCIR)
GENEVA, OCTOBER 21 - NOVEMBER 5, 1985

Representative

Joseph M. McNulty
Manager
AT&T Communications
Bedminster, New Jersey

Government Representative

Neal K. McNaughten
Electronics Engineer
Federal Communications Commission
Washington

Private Sector Advisers

Ronald Gnidziejko
Director, On-Air Operations
NBC Television Network
New York, New York

Abraham A. Goldberg
Associate Director, Television Research
CBS Technology Center
CBS, Inc.
Stamford, Connecticut

John J. McGrath
Sales Engineer - International
RCA American Communications, Inc.
New York, New York

John Serafin
Manager
ABC Television Network
New York, New York

Randy Sharpe
Engineer
AT&T Technologies
Holmdel, New Jersey

UNITED STATES DELEGATION
TO THE
STUDY GROUP CMV
INTERNATIONAL RADIO CONSULTATIVE COMMITTEE
INTERNATIONAL TELECOMMUNICATION UNION (ITU/CCIR)
GENEVA, NOVEMBER 6-14, 1985

Representative

Roman Z. Zaputcwycz
Director, Communications Systems Planning
Western Union Telegraph Company
Upper Saddle River, New Jersey

Government Representative

Wendell Harris
Chief, International Staff
Common Carrier Bureau
Federal Communications Commission

Government Adviser

William A. Luther
International Adviser
Field Operations Bureau
Federal Communications Commission

Private Sector Adviser

Norman F. de Groot
Member, Technical Staff
Jet Propulsion Laboratory
California Institute of Technology
Pasadena, California

UNITED STATES DELEGATION
TO THE
MEETING OF THE OFFICERS OF THE STUDY GROUPS
INTERNATIONAL RADIO CONSULTATIVE COMMITTEE (CCIR)
INTERNATIONAL TELECOMMUNICATION UNION (ITU)
GENEVA, MARCH 14-15, 1985

Representative

Gordon F. Hempton
Office of Science and Technology
Federal Communications Commission

INTERNATIONAL TELECOMMUNICATION UNION

1. Plan Committee for Latin America

2. December 2-6, 1985, Paramaribo

3. Head of Delegation - State (Iacovo)

4. Other USG Agencies - FCC (2)

5. Private Sector Representatives - 1

6. Purpose - The Committee is a joint Study Group of the CCITT and CCIR. It is one of four such Regional Committees. Its principal purpose is to develop a general plan for the Regional International Telecommunication Network to help in planning international telecommunications services.

7. Diplomatic Activities to Promote U.S. Objectives - Formal and informal discussions with other administrations in the Region prior to and during the Meeting.

8. Follow-up - On-going review.

INTERNATIONAL TELECOMMUNICATION UNION

1. Meeting of officers of CCIR Study Groups

2. March 14-15, 1985, Geneva

3. Head of Delegation - U.S. participation is not as a delegation, but rather a group of U.S. experts currently filling positions as international Study Group Chairmen or Vice Chairman. As such, individuals participate as international representatives.

4. Other USG Agencies - See above

5. Private Sector Representatives - See above

6. Purpose - Participate in the annual meeting convened by the CCIR Director and attended by all international Study Group officers for the purpose of effectively managing the technical studies and budgetary factors in the on-going work of the CCIR.

7. Diplomatic Activities to Promote U.S. Objectives - Formal and informal discussions with CCIR Secretariat officials prior to and during the meeting.

8. Follow-up - This annual meeting, which has proven an effective low-cost mechanism to provide regular management review of technical work programs and fiscal implications, will continue.

UNITED STATES DELEGATION
TO THE
PLAN COMMITTEE FOR LATIN AMERICA
INTERNATIONAL TELECOMMUNICATION UNION (ITU)
PARAMARIBO, DECEMBER 2-6, 1985

Representative

Domenick Iacovo
Office of Technical Standards and Development
Bureau of International Communications
and Information Policy
Department of State

Advisers

Glen de Chabert
International Policy Division
Federal Communications Commission

Gordon Hempton
Private Radio Bureau
Federal Communications Commission

Private Sector Adviser

Cecil R. Crump
AT&T Communications
American Telephone and Telegraph Company
Morris Plains, New Jersey

INTERNATIONAL TELECOMMUNICATION UNION

1. CCITT Study Groups (see attachment listing titles and responsibilities of each Study Group)

2. Dates/Places - See attachments

3. Head of Delegation - See attachments

4. Other USG Agencies - See attachments

5. Private Sector Representatives - See attachments

6. Purpose - To develop recommendations on international telegraph and telephone services, including the international data transmission service, which are then considered at the Plenary Assembly, held normally every four years.

7. Diplomatic Activities to Promote U.S. Objectives - Formal and informal discussions with other foreign administrations prior to and during the various Study Group meetings.

8. Follow-up - Extensive on-going activities.

UNITED STATES DELEGATION
TO THE
PERMANENT TECHNICAL COMMITTEE II
OF THE
INTER-AMERICAN TELECOMMUNICATION COMMISSION (CITEL)
OF THE
ORGANIZATION OF AMERICAN STATES (OAS)
LIMA, FEBRUARY 18-22, 1985

Representative

William H. Jahn
Office of International Communications Policy
Bureau of Economic and Business Affairs
Department of State

Advisers

Wilson A. LaFollette
Mass Media Bureau
Federal Communications Commission

Lawrence Olson
Mass Media Bureau
Federal Communications Commission

Charles Rush
National Telecommunications and Information Administration
Department of Commerce

Norbert Schroeder
Frequency Management and Monitoring Division
Voice of America

John Wang
Office of Science and Technology
Federal Communications Commission

Private Sector Adviser

Wallace Johnson
Moffet, Larson and Johnson, P. C.
Arlington, Virginia

UNITED STATES DELEGATION
TO THE
STUDY GROUP I
INTERNATIONAL TELECOMMUNICATION UNION/
INTERNATIONAL TELEPHONE AND TELEGRAPH CONSULTATIVE COMMITTEE (ITU/CCITT)
GENEVA, MAY 9-17, 1985

Representative

Douglas V. Davis
Common Carrier Bureau
Federal Communications Commission

Alternate Representative

Earl S. Barbely
Office of International Communications Policy
Bureau of Economic and Business Affairs
Department of State

Private Sector Advisers

Donald P. Casey
ITT World Communications, Inc.
Secaucus, New Jersey

Stephen Engelman
Communications Satellite Corporation
Washington, D.C.

Herman R. Silbiger
AT&T Information Systems
Morristown, New Jersey

Frederick W. Voege
Western Union Telegraph Company
Upper Saddle River, New Jersey

UNITED STATES DELEGATION
TO THE
STUDY GROUP I, CONSULTATIVE COMMITTEE ON TELEGRAPH AND TELEPHONE, INTERNATIONAL TELECOMMUNICATION UNION (ITU/CCITT)
GENEVA, NOVEMBER 21-29, 1985

Representative

Douglas Davis
Common Carrier Bureau
Federal Communications Commission

Private Sector Advisers

Donald P. Casey
ITT World Communications Inc.
Secaucus, NJ

Stephen Engleman
COMSAT
Clarksburg, MD

Joseph Norton
Asst. Vice President, Product
Line Management
Western Union Telegraph Co.
Upper Saddle River, NJ

Herman R. Silbiger
AT&T Information Systems
Morristown, New Jersey

UNITED STATES DELEGATION
TO THE
MEETING OF STUDY GROUP II
INTERNATIONAL TELEGRAPH AND TELEPHONE
CONSULTATIVE COMMITTEE (CCITT)
INTERNATIONAL TELECOMMUNICATION UNION (ITU),
GENEVA, MARCH 7-15, 1985

Representative

Earl S. Barbely
Office of International Communications Policy
Bureau of Economic and Business Affairs
Department of State

Private Sector Advisers

Cecil R. Crump
AT&T Communications
Morris Plains, New Jersey

Ivor Knight
COMSAT Corporation
Washington, D.C.

UNITED STATES DELEGATION
TO THE
STUDY GROUP III
INTERNATIONAL TELECOMMUNICATION UNION/
INTERNATIONAL TELEPHONE AND TELEGRAPH CONSULTATIVE COMMITTEE (ITU/CCITT),
GENEVA, MAY 7-10, 1985

Representative

Earl S. Barbely
Office of International Communications Policy
Department of State

Advisers

Douglas V. Davis
Common Carrier Bureau
Federal Communications Commission

Gary Fereno
National Telecommunications and
  Information Administration
Department of Commerce

Wendell Harris
Common Carrier Bureau
Federal Communications Commission

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John J. Lehan, Jr.
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Washington, D.C.

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ATT Communications
Bedminster, New Jersey

John O'Boyle
ITT World Communications, Inc.
Secaucus, New Jersey

Denis W. O'Shea
IBM
Armonk, New York

Beverly Ann Sincavage
GTE Telenet Communications Corporation
Reston, Virginia

Carmine Taglialatela
RCA Communications, Inc.
New York, New York

Deborah G. Tumey
Citibank, N.A.
New York, New York

Frederick W. Voege
Western Union Telegraph Company
Upper Saddle River, New Jersey

UNITED STATES DELEGATION
TO THE
STUDY GROUP III
INTERNATIONAL TELECOMMUNICATION UNION (ITU), INTERNATIONAL TELEPHONE AND TELEGRAPH CONSULTATIVE COMMITTEE (CCITT), GENEVA, NOVEMBER 11-26, 1985

Working Party III/6 November 11-13, Working Party III/2 November 14-19, and Working Party III/1 November 25-26, 1985

Representative

Earl S. Barbely
Acting Director, Office of Technical Standards and Development
Bureau of International Communications and Information Policy
Department of State

Advisers

Gary M. Fereno
Telecommunication Policy Specialist
National Telecommunications and Information Administration
Department of Commerce

Wendell Harris
Federal Communications Commission

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John O'Boyle
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ITT World Communications Inc.
Secaucus, New Jersey

Phillip Onstad
Control Data Corporation
Washington, D.C.

Denis W. O'Shea
Telecommunications Adviser
IBM
Armonk, New York

Beverly Ann Sincavage
Senior Product Manager
GTE Telenet Communications Corporation
Reston, Virginia

Carmine Taglialatela
Director, Regulatory Affairs
RCA Communications, Inc.
New York, New York

Deborah Tumey
Citibank, N.A.
New York, New York

Working Party III/5, November 20-22, 1985

Representative

Earl S. Barbely
Acting Director, Office of Technical
Standards and Development
Bureau of International Communications
and Information Policy
Department of State

Advisers

Gary M. Fereno
Telecommunication Policy Specialist
National Telecommunications and
Information Administration
Department of Commerce

Wendell Harris
Federal Communications Commission

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Senior Regulatory Analyst
GTE Sprint Communication Corporation
Washington, D.C.

John O'Boyle
Vice President
ITT World Communications Inc.
Secaucus, New Jersey

Phillip Onstad
Control Data Corporation
Washington, D.C.

Denis W. O'Shea
Telecommunications Adviser
IBM
Armonk, New York

Carmine Taglialatela
Director, Regulatory Affairs
RCA Communications, Inc.
New York, New York

UNITED STATES DELEGATION
TO THE
STUDY GROUP III
INTERNATIONAL TELECOMMUNICATION UNION (ITU),
INTERNATIONAL TELEPHONE AND TELEGRAPH CONSULTATIVE COMMITTEE (CCITT),
GENEVA, JANUARY 20-FEBRUARY 6, 1986

Working Party III/3 January 20-22, Working Party III/5 January 23-28, Working Party III/4 January 29-31, and Working Party III/8 February 3-6, 1986

Representative

Earl S. Barbely
Director, Office of Technical
Standards and Development
Bureau of International Communications
and Information Policy
Department of State

Advisers

Gary M. Fereno
Telecommunication Policy Specialist
National Telecommunications and
Information Administration
Department of Commerce

Wendell Harris
Federal Communications Commission

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AT&T Communications
Morristown, New Jersey

Paul F. Konort
Senior Regulatory Analyst
GTE Sprint Communications Corp.
Washington, D.C.

John O'Boyle
Vice President
ITT World Communications Inc.
Secaucus, New Jersey

Edward R. Slack
Communications Satellite Corporation
Clarksburg, Maryland

Carmine Taglialatela
Director, Regulatory Affairs
RCA Communications, Inc.
New York, New York

UNITED STATES DELEGATION
TO THE
MEETING OF THE TELEGRAPH AND TELEPHONE CONSULTATIVE COMMITTEE (CCITT), STUDY GROUP VII, INTERNATIONAL TELECOMMUNICATIONS UNION (ITU), GENEVA, FEBRUARY 10-21, 1986

Representative

Thijs de Haas
Department of Commerce
Boulder, Colorado

Advisers

Earl S. Barbely
Bureau of International Communications and Information Policy
Department of State

Gary Fereno
National Telecommunications and Information Administration
Department of Commerce

Neal Seitz
Institute for Telecommunication Sciences
Department of Commerce
Boulder, Colorado

UNITED STATES DELEGATION
TO THE
MEETING OF THE INTERNATIONAL TELEGRAPH AND TELEPHONE CONSULTATIVE COMMITTEE (CCITT), STUDY GROUP VII, INTERNATIONAL TELECOMMUNICATION UNION (ITU), GENEVA, APRIL 22 - MAY 3, 1985

Representative

Christine Hemrick
Institute for Telecommunication Sciences
Department of Commerce
Boulder, Colorado

Advisers

Gary Fereno
National Telecommunications and Information Administration
Department of Commerce

Edward P. Greene
National Communications System

Neil B. Seitz
Institute for Telecommunication Sciences
Department of Commerce

Private Sector Adviser

Joan T. LaBanca
Bell Communications Research
Red Bank, New Jersey

UNITED STATES DELEGATION
TO THE
STUDY GROUP VIII
INTERNATIONAL TELECOMMUNICATION UNION (ITU)/
INTERNATIONAL TELEPHONE AND TELEGRAPH CONSULTATIVE COMMITTEE (CCITT)
KYOTO, JUNE 5 - 14, 1985

Representative

Douglas V. Davis
Common Carrier Bureau
Federal Communications Commission

Adviser

Dennis Bodson
Office of Technology Standards
National Communications System

Private Sector Advisers

Seraphin B. Calo
IBM
T. J. Watson Research Center
Yorktown Heights, New York

Bruce J. DeGrass
Xerox Corporation
Lewisville, Texas

Herman R. Silbiger
AT&T Information Systems
Lincroft, New Jersey

UNITED STATES DELEGATION
TO THE
STUDY GROUP VIII
INTERNATIONAL TELEPHONE AND TELEGRAPH CONSULTATIVE COMMITTEE,
INTERNATIONAL TELECOMMUNICATION UNION (ITU/CCITT)
LONDON, DECEMBER 3-5, 1985

Representative

Douglas V. Davis
Common Carrier Bureau
Federal Communications Commission

Alternate Representative

Gary M. Fereno
National Telecommunications and
Information Administration
Department of Commerce

Private Sector Advisers

Richard Holleman
International Business Machines Corporation
Purchase, New York

Herman Silbiger
AT&T Bell Labs
Crawfords Corner Road
Holmdel, NJ

UNITED STATES DELEGATION
TO THE
STUDY GROUP VIII
INTERNATIONAL TELEPHONE AND TELEGRAPH CONSULTATIVE COMMITTEE, INTERNATIONAL TELECOMMUNICATION UNION (ITU/CCITT)
GENEVA, MARCH 11-20, 1986

Representative

Douglas V. Davis
Common Carrier Bureau
Federal Communications Commission

Alternate Representative

Gary M. Fereno
National Telecommunications and Information Administration
Department of Commerce

Adviser

Frank M. McClelland
Office of the Manager
National Communications Systems

Private Sector Advisers

Bruce J. DeGrasse
Xerox Corporation
Lewisville, Texas

Ralph E. Grant
3M Company
St. Paul Minnesota

Richard Holleman
IBM Corporation
Purchase, New Jersey

Herman R. Silbiger
AT&T Bell Labs
Holmdel, New Jersey

Stephen J. Urban
Delta Information Systems, Inc.
Horsham, Pennsylvania

UNITED STATES DELEGATION
TO THE
STUDY GROUP XI
INTERNATIONAL TELEPHONE AND TELEGRAPH CONSULTATIVE COMMITTEE
INTERNATIONAL TELECOMMUNICATION UNION (ITU/CCITT)
GENEVA, OCTOBER 21 - NOVEMBER 8, 1985

Representative

Thijs De Haas
Institute for Telecommunication
Sciences
Department of Commerce
Boulder, Colorado

Adviser

Fred Nolke
Federal Communications Commission

Private Sector Advisers

Douglas C. Donohoe
AT&T Bell Laboratories
Holmdel, New Jersey

Stephen Engelman
Communications Satellite
Corporation
Washington, D.C.

UNITED STATES DELEGATION
TO THE
MEETING OF STUDY GROUP XI,
INTERNATIONAL TELEPHONE AND TELEGRAPH CONSULTATIVE COMMITTEE (CCITT),
INTERNATIONAL TELECOMMUNICATION UNION (ITU),
GENEVA, MARCH 18-29, 1985

Representative

Thijs de Haas
Institute for Telecommunication
Sciences
Department of Commerce
Boulder, Colorado

Adviser

Michael S. Slomin
Federal Communications Commission

Private Sector Advisers

Robert M. Amy
IBM Corporation
Research Triangle Park, North Carolina

Wesley E. Henry
Bell Communications Research
Redbank, New Jersey

Eric L. Scace
GTE Telenet Communications Corporation
Vienna, Virginia

UNITED STATES DELEGATION
TO THE
MEETING OF THE STUDY GROUP XI/WORKING PARTY 6,
INTERNATIONAL TELEPHONE AND TELEGRAPH CONSULTATIVE COMMITTEE (CCITT),
INTERNATIONAL TELECOMMUNICATION UNION,
MUNICH, NOVEMBER 27-DECEMBER 4, 1984

Representative

Thijs de Haas
Institute for Telecommunication
Sciences
Department of Commerce
Boulder, Colorado

Advisers

Frank M. McClelland
National Communications System
Washington, D.C.

Michael S. Slomin
Federal Communications Commission
Washington, D.C.

Private Sector Advisers

Robert M. Amy
IBM Corporation
Research Triangle Park, N.C.

Rolfe G. Buhrke
AT&T Bell Labs
Naperville, Illinois

Wesley E. Henry
Bell Communications Research
Redbank, NJ

Eric L. Scace
GTE Telenet Communications Corporation
Vienna, VA

UNITED STATES DELEGATION
TO THE
PREPARATORY COMMITTEE
FOR THE
WORLD ADMINISTRATIVE TELEGRAPH AND TELEPHONE CONFERENCE, 1988
INTERNATIONAL TELEGRAPH AND TELEPHONE CONSULTATIVE COMMITTEE
INTERNATIONAL TELECOMMUNICATION UNION (ITU)
GENEVA, FEBRUARY 27 - MARCH 5, 1985

Representative

Earl S. Barbely
Office of International Communications Policy
Bureau of Economic and Business Affairs
Department of State

Advisers

Douglas Davis
Federal Communications Commission

James Earl
Office of the Assistant Legal Adviser
for Economic and Business Affairs
Department of State

Gary Fereno
National Telecommunications and Information Administration
Department of Commerce

Wendell Harris
Federal Communications Commission

Private Sector Advisers

Cecil R. Crump
AT&T Communications
Morris Plains, New Jersey

John O'Boyle
ITT World Communications, Inc.
Secaucus, New Jersey

Phillip C. Onstad
Control Data Corporation
Washington, D. C.

Denis W. O'Shea
IBM Corporation
Purchase, New York

Beverly Ann Sincavage
GTE Telenet Communications Corporation
Vienna, Virginia

Carmine Taglialatela
RCA Communications, Inc.
New York, New York

Deborah G. Tumey
Citibank, N.A.
New York, New York

Frederick W. Voege
Western Union Telegraph Company
Upper Saddle River, New Jersey

UNITED STATES DELEGATION
TO THE
PREPARATORY COMMITTEE
WORLD ADMINISTRATIVE TELEGRAPH AND TELEPHONE CONFERENCE, 1988
INTERNATIONAL TELEPHONE AND TELEGRAPH CONSULTATIVE COMMITTEE,
INTERNATIONAL TELECOMMUNICATION UNION (ITU),
GENEVA, MARCH 3 - 7, 1986

Representative

Earl S. Barbely
Bureau of International Communications
and Information Policy
Department of State

Advisers

James Earl
Office of the Assistant Legal Adviser
Department of State

Gary M. Fereno
National Telecommunications and
Information Administration
Department of Commerce

Wendell Harris
Federal Communications Commission

Harry Montgomery
Telecommunications Attache
United States Mission
Geneva

Private Sector Adviser

John O'Boyle
ITT World Communications Inc.
Secaucus, New Jersey

UNITED STATES DELEGATION
TO THE
VIII PLENARY ASSEMBLY
OF THE
INTERNATIONAL TELEGRAPH AND TELEPHONE CONSULTATIVE COMMITTEE (CCITT)
INTERNATIONAL TELECOMMUNICATION UNION (ITU)
MALAGA-TORREMOLINOS, OCTOBER 8-19, 1984

Representative

Earl S. Barbely
Director
Office of International Communications Policy
Bureau of Economic and Business Affairs
Department of State

Alternate Representatives

Dexter Anderson
Office of International Communications Policy
Bureau of Economic and Business Affairs
Department of State

Thomas Z. Corless
International Trade Administration
Department of Commerce

Douglas V. Davis
Conference Staff
Federal Communications Commission

Willard Demory
Common Carrier Bureau
Federal Communications Commission

Gary M. Fereno
National Telecommunications and Information
Administration
Department of Commerce

Thijs de Haas
Institute for Telecommunications Sciences
National Telecommunications and Information Administration
Department of Commerce

Wendell Harris
International Conference Staff
Federal Communications Commission

Christine Hemrick
Institute for Telecommunications Sciences
National Telecommunications and Information Administration
Department of Commerce

Kenneth W. Leeson
Office of the Coordinator for International Communication
and Information Policy
Department of State

Janice Obuchowski
Office of the Chairman
Federal Communication Commission

Gilbert H. Sheinbaum
United States Mission
Geneva

Private Sector Advisers

David R. Cairns
Northern Telecom, Inc.
Mountain View, California

Cecil R. Crump
AT&T Communications
Morris Plains, New Jersey

Per O. Dahlman
Satellite Business Systems
McLean, Virginia

Joseph J. Grumblatt
GTE Service Corporation
Stamford, Connecticut

Richard J. Holleman
International Business Machines, Inc.
Armonk, New York

Ivor N. Knight
COMSAT World Systems Division
Washington, D. C.

Ian M. Lifchus
Bell Communications Research
West Long Branch, New Jersey

Henry L. Marchese
AT&T Company
Basking Ridge, New Jersey

John O'Boyle
ITT World Communications, Inc.
Secaucus, New Jersey

Phillip C. Onstead
Control Data Corporation
Washington, D. C.

John S. Ryan
AT&T Bell Laboratories
Holmdel, New Jersey

Beverly Ann Sincavage
GTE Telenet Communications Corporation
Vienna, Virginia

Camine Taglialatela
RCA Communications, Inc.
New York, New York

Virginius S. Vaughn, Jr.
Consultant
Chatham, New Jersey

Frederick W. Voege
Western Union Telegraph Company
Upper Saddle River, New Jersey

Kathleen White
Citibank, N.A.
New York, New York

INTERNATIONAL TELECOMMUNICATION UNION

1. CCITT Plenary Assembly

2. Malaga-Torremolinos, October 8-19, 1984

3. Head of Delegation - State (Barbely)

4. Other USG Agencies - State (3); Commerce (4); FCC (4)

5. Private Sector Representatives - 16

6. Purpose - Consider Recommendations developed by the various CCITT Study Groups over the previous four-year study cycle; elect a new Director; elect various Study Group officers. In addition, this Plenary Assembly established two new study groups: one to develop better and more cost-effective Study Group structure, and one to prepare for the 1988 World Administrative Telegraph and Telephone Conference.

7. Diplomatic Activities to Promote U.S. Objectives - Formal and informal discussions with other foreign administrations prior to and during the Plenary Assembly.

8. Follow-up - On-going activity.

INTER-AMERICAN TELECOMMUNICATIONS CONFERENCE (CITEL)

1. Permanent Executive Committee, Permanent Technical Committees I, II and III

2. Dates/Places - See attachments

3. Head of Delegation - See attachments

4. Other USG Agencies - See attachments

5. Private Sector Representatives - See attachments

6. Purpose - The purpose of CITEL is to promote the continued development of telecommunications in the Americas. It is comprised of a Permanent Executive Committee and three Permanent Technical Committees. The responsibilities of the various groups follow:

Permanent Executive Committee (COM/CITEL) - Serves as the annual "executive board" of the organization, reviewing general CITEL responsibilities, approving a schedule of meetings and activities, and recommending an annual budget.

PTC I - Considers general telecommunication issues, parallel to the CCITT organization.

PTC II - Considers radio conference matters dealing with broadcasting, such as high frequency and AM broadcasting services.

PTC III - Considers all radio conference issues other than broadcasting, such as space and mobile services.

7. Diplomatic Activities to Promote U.S. Objectives - Formal and informal discussions with other administrations in the Region prior to and during the various meetings.

8. Follow-up - On-going activity.

constrained expenditures, that requires the Department to close 7 posts abroad, is the Department seeking funds for symbols?

Answer:

UNIFIL is more than a symbol. Our support for UNIFIL, and our request for continued funding, is based on our belief that UNIFIL makes a contribution to the stability of southern Lebanon. Its withdrawal at this time would be imprudent.

Question 3:

In addition to our contributions to UNIFIL, the United States contributed the lives of 241 marines on October 23, 1984. Is there any doubt of the depth of the U.S. contribution to the security of Lebanon?

Answer:

To be supplied by NEA.

Question 4:

Please furnish, for the record, information similar to that furnished last year with regard to the current status of the contributions to UNIFIL.

Answer:

The attached table from the Secretary-General's Status of Contributions report as at 31 December 1985, shows the status of contributions to UNIFIL for all member states of the UN:

UNITED STATES DELEGATION
TO THE
PERMANENT TECHNICAL COMMITTEE I
OF THE
INTER-AMERICAN TELECOMMUNICATIONS CONFERENCE (CITEL)
OF THE
ORGANIZATION OF AMERICAN STATES (OAS)
RIO de JANEIRO, NOVEMBER 26-30, 1984

Representative

Earl S. Barbely
Office of International Communications Policy
Bureau of Economic and Business Affairs
Department of State

Advisers

Wendell Harris
Common Carrier Bureau
Federal Communications Commission

William Moran
Office of International Affairs
National Telecommunications and Information Administration
Department of Commerce

Private Sector Adviser

Cecil Crump
AT&T Communications
Morris PLains, New Jersey

UNITED STATES DELEGATION
TO THE
PERMANENT TECHNICAL COMMITTEE II
OF THE
INTER-AMERICAN TELECOMMUNICATION COMMISSION (CITEL)
OF THE
ORGANIZATION OF AMERICAN STATES (OAS)
FORTALEZA, BRAZIL, FEBRUARY 20-28, 1986

Representative

William H. Jahn
Bureau of International Communications and Information Policy
Department of State

Alternate Representative

Anatole Shub
Bureau of International Communications and Information Policy
Department of State

Advisers

Dr. David Cohen
National Telecommunications and Information Administration
Department of Commerce

Jonathan David
Policy and Rules Division - Mass Media Bureau
Federal Communications Commission

Wilson A. La Follette
Policy and Rules Division - Mass Media Bureau
Federal Communications Commission

Frederick Matos
National Telecommunications and Information Administration
Department of Commerce

Larry Olson
Policy and Rules Division - Mass Media Bureau
Federal Communications Commission

Charles Rush
National Telecommunications and Information Administration
Department of Commerce

Norbert Schroeder
Frequency Management and Monitoring Division
Voice of America

TITLES OF CCITT STUDY GROUPS

Group	1981-1984	1985-1988
I	Definition and operational aspects of telegraph and telematic services	Definition, operation and quality of service aspects of telegraph, data transmission and telematic services
II	Telephone operation and quality of service	Operation of telephone network and ISDN
III	General tariff principles	General tariff principles including accounting
IV	Transmission maintenance of international lines/networks	Transmission maintenance of international lines, circuits and chains of circuits; maintenance of automatic and semi-automatic networks
V	Protection against dangers and disturbances of electromagnetic origin	Protection against dangers and disturbances of electromagnetic origin
VI	Protection and specifications of cable sheaths and poles	Outside plant
VII	New data communication networks	Data communication networks
VIII	Terminal equipment for telematic services	Terminal equipment for telematic services
IX	Telegraph networks and terminal equipment	Telegraph networks and terminal equipment
X	[None]	Languages and methods for telecommunications applications
XI	Telephone switching and signalling	ISDN and telephone network switching and signalling
XII	Telephone transmission performance and local telephone networks	Transmission performance of tele phone networks and terminals
XIII	[None]	[None]
XIV	[None]	[None]
XV	Transmission systems	Transmission systems
XVI	Telephone circuits	[None]
XVII	Data communication over the telephone network	Data transmission over the telephone network
XVIII	Digital networks	Digital networks including ISDN
Special "S"		Structure and operations of the CCITT Study Groups
Preparatory Committee, WATTC		Prepare for World Administrative Telegraph and Telephone Conference, 1988

UNITED STATES DELEGATION
TO THE
OAS/CITEL - MEETING OF PERMANENT TECHNICAL COMMITTEE (PTC) III, BUENOS AIRES, MARCH 25-29, 1985

Representative

Bohdan Bulawka
Office of International
  Communications Policy
Bureau of Economic and Business Affairs
Department of State

Alternate Representative

Dean Olmstead
Office of the Coordinator for
  International Communication and
  Information Policy (T/CIP)
Department of State

Advisers

Edward Jacobs
Office of Science and Technology
Federal Communications Commission

William Korvin
Office of Spectrum Management
National Telecommunications and
  Information Administration
Department of Commerce

Ronald Lepkowski
Common Carrier Bureau
Federal Communications Commission

Thomas Walsh
Office of Spectrum Management
National Telecommunications and
  Information Administration
Department of Commerce

UNITED STATES DELEGATION
TO THE
PERMANENT TECHNICAL COMMITTEE III
OF THE
INTER-AMERICAN TELECOMMUNICATION COMMITTEE (CITEL)
OF THE
ORGANIZATION OF AMERICAN STATES (OAS)
BUENOS AIRES, ARGENTINA, NOVEMBER 19-23, 1984

Representative

Harold Kimball
Office of the Coordinator for International
Communication and Information Policy
Department of State

Alternate Representative

Ronald Lepkowski
Common Carrier Bureau
Federal Communications Commission

Advisers

William Corbin
Office of Spectrum Management
National Telecommunications and Information Administration
Department of Commerce

John Kiebler
Office of Space Science and Applications
National Aeronautics and Space Administration

Steven Selwyn
Office of Science and Technology
Federal Communcations Commission

Thomas Walsh
Office of Spectrum Management
National Telecommunications and Information Administration
Department of Commerce

Private Sector Advisers

John Clark
Space Applications and Technology
RCA Corporation

BILATERAL CONSULTATIONS

1. US-Japan Comprehensive Bilateral Consultations

2. Dates and Place -- November 27-29, 1984 -- Tokyo, Japan

3. Head of Delegation -- Ambassador Diana Lady Dougan, Department of State

4. Other USG Agency, Washington-based representation on delegation -- e.g., State (3 - CIP (1), EB (1), L (1)); FCC (1), NTIA (1), USTR (1)

5. Private Sector Representatives -- 0

6. Purpose -- To conduct comprehensive bilateral consultations with senior Japanese policy makers in the Ministries of Foreign Affairs, Posts and Telecommunications, Industry and Trade, and others.

7. Diplomatic Activities to Promote US Objectives -- The Department of State's role was to build a better understanding of US policy objectives among senior Japanese officials on a variety of issues concerning radio conferences, separate satellites, communications development assistance, and the international environment for telecommunications services.

8. Follow-up -- The dialogue initiated during the course of these bilaterals has been followed-up by specifically focused discussions on the Space WARC, the separate satellite issues, and issues concerning the ITU, OECD, and other international organizations. Trade discussions have been handled through the Moss process.

BILATERAL CONSULTATIONS

1. US - Mexico Comprehensive Bilateral Consultations

2. Dates and Place -- October 30 - 31, 1984, Mexico City

3. Head of Delegation -- Ambassador Diana Lady Dougan, Department of State

4. Other USG Agency Representation, Washington-based -- State (1), FCC - (2), NTIA (2), USTR (1)

5. Private Sector Representation -- None

6. Purpose -- To conduct comprehensive international communications and information policy discussions with senior Mexican officials.

7. Diplomatic Activities to Promote US Objectives -- The Department of State prepared all briefing materials for this consultation and members of the US Embassy participated fully in the discussions. These discussions helped in creating a better understanding of our mutual positions for the more, specifically-focused discussions that have developed.

8. Follow-Up -- The broad-based bilaterals have been followed by a series of specific negotiations to resolve bilateral problems concerning broadcasting and to consult in advance of such ITU conferences as the SPACE WARC and the MF RARC. We have also had frequent meetings with Mexican officials visiting the US to discuss specific operational and policy issues.

BILATERAL CONSULTATIONS

1. US-ITALIAN/VATICAN COMPREHENSIVE BILATERAL CONSULTATONS

2. Dates and Place -- April 23-26, 1985- Rome and Milan

3. Head of Delegation-- Ambassador Diana Lady Dougan

4. Other USG Agency Washington-based representatives on delegation-- e.g. State (3 - 1 CIP/2 EB), FCC (1), and NTIA (1).

5. Private Sector Representatives --0

6. Purpose --To review international communications and information policy with senior Italian policy makers and to dicuss international radio conference issues with Vatican Radio officials. In addition, the visit to Milan afforded the opportunity to review developments with industry and user representatives.

7. Diplomatic Activities to Promote US objectives--Objective was to develop better understanding of US policy objectives among Italian/Vatican officials and to harmonize strategy for upcoming ITU radio conferences.

8. Follow-up--Consultations were continued with the visit of Italian Minister of Communications Gava to Washington in October, 1985 and in subsequent meetings between Embassy Rome personnel and officials of various GOI ministeries.

INTERNATIONAL MARITIME SATELLITE ORGANIZATION

1. INMARSAT - Meeting of Experts - Aeronautical Satellite Communications.

2. Dates and Place -- May 7-10, 1985, London, England.

3. Head of Delegation -- John Gilsenan.

4. Other USG Agency Representatives on delegation -- see attachment.

5. Private Sector Representatives -- see attachment.

6. Purpose -- To develop amendments to the INMARSAT Convention that would enable the organization to provide aeronautical satellite communications.

7. Diplomatic Activities to Promote US objectives -- Cables to posts in member countries specifying action with the host country in support of US position.

8. Follow-up -- Amendments were later adopted. US is now considering ratification process.

UNITED STATES DELEGATION
TO THE
MEETING OF EXPERTS ON AERONAUTICAL SATELLITE COMMUNICATIONS
INTERNATIONAL MARITIME SATELLITE ORGANIZATION (INMARSAT),
LONDON, MAY 7-10, 1985

Representative

John T. Gilsenan
Office of International Communications Policy
Bureau of Economic and Business Affairs
Department of State

Advisers

James Earl
Office of the Legal Adviser
Department of State

Carol Emery
National Telecommunications and
Information Administration
Department of Commerce

Edward O'Connor
Transportation and Communications Unit
United States Embassy
London

Lawrence Palmer
Common Carrier Bureau
Federal Communications Commission

Private Sector Adviser

John Oslund
Communications Satellite Corporation
Washington, D.C.

INTERNATIONAL SATELLITE CORPORATION

1. INTELSAT Board of Governors Meetings.

2. Dates and Place -- BG 62, March 21-27, 1985; BG 63, June 12-19, 1985; BG 64, September 9-11, 1985; BG 65, December 5-11, 1985; BG 66, March 6-12, 1986.

3. Head of Delegation -- John Gilsenan.

4. Other USG Agency Representatives on delegation -- NTIA, FCC.

5. Private Sector Representatives -- COMSAT is a Board member.

6. Purpose -- To facilitate the COMSAT instructional process.

7. Diplomatic Activities to Promote US objectives -- Diplomatic cables to posts in all member countries of INTELSAT specifying action with the host country to support the US positions.

8. Follow-up -- On-going process.

INTERNATIONAL MARITIME SATELLITE ORGANIZATION

1. INMARSAT - Meeting of Experts - Use of Ship Earth Stations.

2. Dates and Place -- May 13-17, 1985, London, England.

3. Head of Delegation -- John Gilsenan.

4. Other USG Agency Representatives on delegation -- see attachment.

5. Private Sector Representatives -- see attachment.

6. Purpose -- To address an INMARSAT initiative to promote the use of ship earth stations within harbors and territorial waters, by means of a new international convention.

7. Diplomatic Activities to Promote US Objectives -- Cables to posts in member countries specifying action with the host country in support of US position.

8. Follow-up -- On-going activity.

UNITED STATES DELEGATION
TO THE
MEETING OF EXPERTS ON SHIP EARTH STATIONS WITHIN HARBOR LIMITS AND TERRITORIAL WATERS,
INTERNATIONAL MARITIME SATELLITE ORGANIZATION (INMARSAT),
LONDON, MAY 13-17, 1985

Representative

John T. Gilsenan
Office of International Communications Policy
Bureau of Economic and Business Affairs
Department of State

Advisers

James Earl
Office of the Legal Adviser
Department of State

Gary Fereno
National Telecommunications and
 Information Administration
Department of Commerce

Edward O'Connor
Transportation and Communications Unit
United States Embassy
London

Lawrence Palmer
Common Carrier Bureau
Federal Communications Commission

William C. Salmon
Office of Under Secretary of State for Security
 Assistance, Science and Technology
Department of State

Joy Yanagida
Office of the Legal Adviser
Department of State

Private Sector Adviser

John Oslund
Communications Satellite Corporation
Washington, D.C.

NORTH ATLANTIC CONSULTATIVE PROCESS

1. North Atlantic Consultative Process Working Group

2. Dates and Place -- January 6-11, 1985, Orlando, Florida

3. Head of Delegation -- N/A

4. State Department -- Randolph Earnest
John Gilsenan

Other USG Agency Washington-based representatives on delegation: FCC, NTIA

5. Private Sector Representatives -- International communications carriers

6. Purpose -- To facilitate the efficient planning of communications facilities in the North Atlantic region.

7. Diplomatic Activities to Promote U.S. objectives -- Meetings were held with foreign participants to promote U.S. international communications facilities policies.

8. Follow-up -- On-going process.

NORTH ATLANTIC CONSULTATIVE PROCESS

1. Senior Level North Atlantic Consultative Group Meetings

2. Dates and Place -- May 21-22, 1985, Droitwich Spa, United Kingdom

3. Head of Delegation -- N/A

4. State Department -- Randolph Earnest, William Salmon

Other USG Agency Representatives on delegation -- FCC, NTIA

5. Private Sector Representatives -- International communications carriers

6. Purpose -- To facilitate the efficient planning of communications facilities in the North Atlantic region.

7. Diplomatic Activities to Promote U.S. objectives -- Meetings were held with foreign participants to promote U.S. international communications facilities policies.

8. Follow-up -- On-going process.

OECD

1. OECD Experts Group on Computer Crime
2. (a) Paris, December 8-12, 1984
   (b) Paris, September 24-29, 1985
3. Head of Delegation -- Lucy Hummer, Department of State
4. Other USG Representation -- State (L-1), Justice (1)
5. Private Sector Representation -- 1
6. Purpose -- To prepare a paper on the international issues related to computer crime.
7. Diplomatic Activity to Promote US Objectives -- The Department of State prepared the principal papers for the meeting and took the lead in presenting the USG position at the meeting.
8. Follow-up -- Paper presented for OECD consideration.

I.

1. OECD Privacy Meeting
2. Paris, June 26-27, 1985
3. Head of Delegation -- None
4. Other USG Agency Participation of Washington-based personnel -- State -2 (CIP and L).
5. Private Sector - None

II.

1. OECD/ICCP Committee Meeting
2. Paris, September 28, 1985 - October 4, 1985
3. Head of Delegation -- Lucy Hummer, Department of State
4. Other USG Agency Representation of Washington-based personnel--Accredited Delegation Only -- State - 1 (EB), Department of Commerce - 2 (ITA-1, NTIA - 1). In addition to the accredited delegation, one CIP officer was funded out of Bureau funds to attend this meeting.
5. Private Sector Representation -- None
6. Purpose - The primary purpose of the meeting was to prepare for the Special Session on Telecommunications Policy which was to take place in November 1985, to discuss the restructuring of the ICCP, discuss present work program, and begin discussions on the Committee's future work program.
7. Diplomatic Activities to Promote US Objectives -- Department of State instructed US Embassies in OECD countries to present a non-paper outlining US position on the restructuring of the ICCP. Department of State prepared papers for the meeting and coordinated preparation of papers from other agencies.

OECD

III.

1. OECD/ICCP - Working Party on Transborder Data Flows

2. Paris, November 21-22, 1985

3. Head of Delegation -- Lucy Hummer, Department of State

4. Other USG Agency Representation of Washington-based personnel--Accredited delegation -- State - 1 (EB), Department of Commrce -2 (1 -ITA, 1-NTIA). In addition to the accredited delegation, CIP funded the travel of one officer.

5. Private Sector Representation -- None.

6. Purpose -- To review projects regarding trade in computer services and computerized information services and flows of data accompanying international trade to committee.

7. Diplomatic Activities to Promote US Objectives -- Preparation of papers, Discussions with other committee participants.

8. Follow-up -- US review of papers presented at ICCP meeting was conducted through the auspices of the private sector Advisory Committee on International Investment.

1. OECD Special Session Session on Telecommunications Policy

2. Paris, November 18-20, 1985

3. Head of Delegation -- William Schneider, Department of State/Mark Fowler, FCC.

4. Other USG Agency Representation, Washington-based personnel -- State (1), USTR (1). In addition to the accredited delegation, CIP funded the travel of three officers to attend the special session.

5. Private Sector Representatives -- 3

6. Purpose -- To build understanding of telecommunications policy development in OECD member countries.

7. Diplomatic Activities to Promote US Objectives -- Numerous private discussions with foreign government officials. Prepared papers and coordinated preparation of briefing books.

8. Follow-Up Discussions -- Telecommunications is receiving priority attention in the OECD.

Delegation Leadership

Question:

What department/agency of the U.S. government should lead our delegations to the various international telecommunications meetings? What officials should attend these meetings? How should the U.S. ensure that each of these meetings further our international telecommunications policy? (Please be specific in responding to these questions.)

Answer:

The leadership of each delegation should be based on the subject matter, the kind of expertise necessary, the nature of the forum, and the degree of broad, overall U.S. foreign policy interests involved. Two main categories of meetings are those involving issues which may be technical in nature but which are a matter of foreign policy, administrative or budgetary, such as meetings and conferences of the ITU and its subsidiary bodies, the CCIR and CCITT -- and essentially trade-related meetings, such as Market-Oriented, Sector-Specific (MOSS) and Market Access Fact Finding (MAFF).

In general, those meetings which deal with matters affecting U.S. foreign policy interests should be led by the Department of State. This includes multilateral and bilateral meetings with foreign countries on wide-ranging telecommunications policy issues. Those meetings which involve specifically trade issues should be led by the competent authority from the trade sector.

Whatever the leadership of the delegation, it is important that each delegation include representatives who have competency in the telecommunications issues involved in the multilateral setting.

The majority of international telecommunications meetings, are CCIR and CCITT Study Group meetings. While individually oriented toward specific technical issues or topics, collectively they relate to the attainment of broad foreign policy goals because of their international nature and the existing expertise, these delegations should continue to be led primarily by the Department of State. The head of delegation to these meetings is very much a function of the agenda, and is chosen on the basis of the expertise required. Wherever possible we attempt to draw on U.S. industry expertise.

In some instance, the head of delegation is not from a U.S. department or agency, but from the private sector. Indeed, since the U.S. telecommunications industry -- carriers, networks, facilities, services, and equipment -- is very much a private sector activity, we believe it is appropriate and desirable to promote private sector leadership whenever possible.

This has proven especially effective at larger telecommunications meetings, such as WARCs and RARCs, when we have been able to select U.S. industry leaders who have related professional expertise.

With all meetings, we must ensure that the delegation size is appropriate to the task -- no more and no less. To this end, the Bureau of International Communications and Information Policy works closely with the Bureau of

International Organization Affairs in the Department, and with other agencies, to identify the resources we will need. In the case of major conferences, we do this as much as years in advance, and we name the head of the delegation and a core of delegation members many months in advance. With the use of the home team mechanism and more effective involvement of the posts abroad we have been able to cut the sizes of delegations abroad without deminishing effectiveness.

It is important to ensure that delegations to international meetings reflect all of the interests involved, especially those which impact on the foreign policy of the United States. This is especially true in the area of trade, in which the requisite expertise in telecommunications and policy issues should be represented.

Senior Interagency Group

Question:

How often has the Senior Interagency Group (SIG) met since November, 1984? Are there any ways to improve the effectiveness of the SIG?

Answer:

The Senior Interagency Group for International Communications and Information Policy has met as a full committee twice in the last year and a half. Both of these meetings were called to review and consider interagency working group reports. The first reviewed NSDD-130 on Communications Development Assistance and the second, the instructions for the U.S. Delegation to the ITU World Administrative Conference on the use of the Geostationary Orbit (Space WARC). The full SIG membership also received a briefing on the Regional Administrative Conference on AM Broadcasting in the Western Hemisphere (MF RARC).

Equally important to the convening of the full 14-member SIG have been the meetings of formal and informal interagency groups consisting of interested agency representatives of SIG and non-SIG members, as appropriate. These interagency working groups have assisted in the review and formulation of U.S. positions and have made recommendations on a wide range of issues. These include preparation for ITU, INTELSAT, INMARSAT and OECD-ICCP meetings, mobile satellite services, the U.S. response to the Maitland Commission Report, and our subsequent policy toward the Geneva Center for World Communications Development. These ad hoc groups have proven particularly effective in identifying and resolving policy differences promptly and efficiently at the working level, thus eliminating the necessity of convening the full SIG.

The SIG was established and exists primarily to provide a senior level forum for all interested agencies to review policy decisions and to resolve policy differences. Should any working group be unable to reach a decision; should that decision be questioned; or should it be determined that the decision be reviewed at a more senior level, the full SIG can be and is convened at the request of an interested party.

The SIG mechanism is worthwhile. The SIG's effectiveness is dependent on the willingness of member agencies to participate in the process at all levels, to contribute sufficient personal resources and to respect the decisions resulting from the process.

SIG MEETINGS (including working groups)

1984:

January 18 - International Satellite Policy

February 21 - HF WARC

April 4 - Space WARC

October 24 - Transborder Satellite Service

1985:

February 1 - Intenational Satellite Services, SIG Report on Communications and Development. Maitland Commission Report, and INTELSAT Assembly of Parties meeting

June 14 - Space WARC

1986:

March - AM RARC Briefing

Responsibility for International Communication Matters

Question:

In November, 1984, the Departments of State and Commerce reached an understanding on responsibility for international telecommunications matters. How has the understanding worked? Are any improvements necessary?

Answer:

The November 1984 Memorandum of Understanding focussed on the roles of the two agencies in terms of their activities within the SIG on International Commmunications and Information Policy. Both Departments noted the need to review the document after a six month trial period. We believe it would be useful to relook at the agreement in light of our experience particularly given the fact that there have been institutional changes within the Department of State and none of the other 12 participating agencies including USIA (Vice-Chair) took part in the discussions which resulted in the November 1984 memorandum.

QUESTIONS SUBMITTED BY SENATOR CHILES

Question:

Mr. Secretary, last year you and I discussed the problem about the inexperience and lack of status for many of the State Department's narcotics control personnel. After that exchange, I (Senator Chiles) was successful in securing an amendment to the State Department authorization bill which required a report by the Department on the advisability of having narcotics specialists in the Foreign Service and, if not, what alternatives? Can you tell me the status of this report and give me your assessment about whether the situation has improved?

Answer:

On November 18, the Department forwarded to Congress a report on its plans to improve staffing of narcotics control positions worldwide. In that report, the Department stated that it has decided to expand the narcotics control specialist corps to 10 positions over the next 2-3 years as necessary to ensure that narcotics positions are staffed by qualified officers on a continuous basis. The Bureau for International Narcotics Matters currently has 24 Foreign Service officer positions, and we are recruiting for five positions as needed; one specialist has already been hired, and an announcement has gone out to attract other qualified candidates for the specialist corps.

Question:

In the same authorization bill, I sponsored an amendment calling for the sharing of information among U.S. law enforcement agencies on foreign drug traffickers. What is the status of the required guidelines which would permit this sharing of information with agencies such as DEA, Customs and INS?

Answer:

The Department of State, in active consultation with the Department of Justice and others, developed guidelines for the sharing of information, and, as required by the statute, submitted this report for concurrence by the National Drug Enforcement Policy Board. The report, now undergoing staff review, is tentatively scheduled for consideration by the full Board at its May meeting, and will be forwarded to Congress upon approval of the Policy Board.

Question:

Also in the State Department authorization bill is my amendment requiring the Secretary of State to increase U.S. efforts in negotiating new extradition treaties with major drug producing countries, especially those in Latin America. Do we have any progress in this area?

Answer:

The Departments of State and Justice negotiate extradition treaties with governments of source and transit nations, as well as agreements on sharing financial information that can help break-up money laundering schemes. The United States has entered into extradition treaties with 103 countries, including relatively recent agreements with such narcotics-important countries as Mexico, Colombia, Turkey, Italy and the Netherlands, and the two most recent agreements with Thailand and Jamaica. Particular emphasis is being given in 1986 on broadening the range of narcotics offenses covered under existing treaties and overcoming the refusal of many governments with whom we have such treaties to extradite their nationals. A good precent for the latter has been the extraditions by Colombia and the United States of our respective nationals.

Question:

Mr. Secretary, you are aware of efforts I made with Congressman Fascell which placed conditions on our foreign aid to Bolivia, Jamaica, and Peru. Specifically, these amendments would curtail U.S. foreign aid to these countries until the President certifies that these countries are cooperating with the U.S. in eradicating their narcotics production.

Has cooperation increased with these countries - do you see progress in crop eradication?

Answer:

The requirements for Bolivia and Peru differ. With respect to Bolivia, the requirement is that 50 percent of 1986 economic support funds and military assistance funds be withheld until such time as the President of the United States certifies to the Congress that Bolivia has enacted the necessary laws to establish a system for control of licit and illicit coca production. The Government of Bolivia promulgated the relevant decree in May 1985, and President Reagan signed the certification which was forwarded to the authorization and appropriation committees on January 24. The balance of 1986 funds cannot be released until Bolivia has met the conditions of its 1983 agreement, i.e., the eradication of up to 4,000 hectares of coca. Bolivia has undertaken an aggressive interdiction and enforcement campaign, resulting in important seizures and interruption of trafficker operations, but the eradication campaign, which by agreement begins with a voluntary eradication phase, has just reached the stage of field identification (500 hectares have been targetted) and we are awaiting the elimination of these fields. We hope this will be the start of a sustained eradication campaign.

The companion requirement is that the President certify to Congress that the Government of Peru has made substantial progress toward development of a plan for coca control. Embassy staff have confirmed initiation of such a plan, which was assembled in draft in late March, and the Department is now preparing the appropriate certification statement confirming that substantial progress in plan development has been made.

The amendment requires that the President, in allocating assistance, give major consideration to whether Jamaica has prepared and committed itself to a comprehensive strategy for the control of illicit production, processing, transportation, etc. of marijuana. As we reported to Congress on February 21, the Seaga Government began an intensive eradication campaign in 1985 that reduced net yield from 1,565 metric tons to 950 metric tons. That impressive efforts continues into 1986.

Question:

I know there has been some progress with eradication treaties. For example, only 2 source countries exporting illicit narcotics to the U.S. were conducting crop eradication in 1981. Now, 14 countries during the 1985-86 crop cycle will have crop eradication programs. In spite of these improvements, the Bureau of International Narcotics Matters (INM) Annual Report includes the statement " that we cannot promise we will reduce availability in 1986."

This disturbs me since in South Florida we continue to notice the continuing increase in the availability of illicit drugs.

Answer:

The Reagan Administration recognized at the outset that previous strategies had been nullified by shifts from one cultivation zone to another, e.g., Turkey's curb on opium production was offset by expansion of Mexico's opium trade, and Mexico's successful spraying of marijuana in the 1970's was offset by expansion of marijuana cultivation in Colombia. We realized that worldwide production exceeded demand, but that high levels of demand elsewhere also served to ensure high levels of production, and, thus, that the only successful strategy would be one which effectively placed eradication programs simultaneously in all key sectors. Therefore, the increase from two countries eradicating to fourteen, in a period of just over four years, is significant. The list includes not only traditional source countries but new ones in which traffickers are trying to grow crops, movement we are trying to contain. However, while these eradication efforts are in fact causing demonstrable reductions in production, the levels remain high enough that we cannot predict with confidence the inevitable point at which reductions in production will be paralleled by reductions in availability in the United States.

Question:

Do you feel the INM funded at $65 million for FY'87 can do the job? In view of the increasing cooperation of many foreign governments and their awareness that drug abuse and trafficing adversely affect social well being, political and economic stability and even the national security of many nations, is this the time to increase the INM funding?

Answer:

We have an increasingly successful program. We believe 1985 was a very productive year for program expansion and internationalization of the narcotics issue. As you noted, five years ago, only two nations were actively engaged in crop eradication. In 1985, fourteen countries conducted eradication programs. Colombia, which was once viewed as one of the most difficult challenges we faced, eradicated 85 percent of the marijuana cultivated in the north coast area. Burma has begun aerial eradication of opium poppy. Thailand stepped up the pace of its poppy destruction campaign. Peru, Ecuador, Belize Panama and Jamaica all set new marks in eradication. Admittedly, there are problems, including our disappointments with Mexico and Bolivia. However, at year's end, corrective measures were being put in place in those countries and elsewhere. In 1985 for the first time it was clear to all nations that there is no longer a distinction among them: all nations share the adverse effects of narcotics abuse and trafficking, and all nations must be part of the solution. We find more and more nations willing to exert the political will to get the job done.

Question:

One last question about eradication: The INM is undertaking efforts to get other governments to eradicate their narcotic crops. These efforts are increasing. We have seen, however, that in this country when smugglers can't get into certain areas because of heightened enforcement, they shift their entry point to other areas. Is there any hope that when crops are destroyed in one area of a country, that growers in a new area will not attempt to cash in by raising narcotics crops? In other words, are we financing a neverending treadmill?

Answer:

No. As indicated in response to an earlier question, our assessment in 1981 took careful note of shifting production zones in response to earlier eradication campaigns. Thus, we are not only assisting eradication of marijuana, for example, in Colombia, Mexico and Jamaica, and engaging in reconnaissance programs to detect any new cultivation zones within those countries, but we are supporting parallel efforts to prevent major crop cultivation in areas like Panama, Belize, Venezuela, Brazil and Costa Rica.

CARIBBEAN BASIN INITIATIVE

Question:

Mr. Secretary, as you may know, Florida growers cultivate many of the same fruits, vegetables and horticultural crops that are produced throughout the Caribbean region. Consequently, many Florida growers are concerned about the negative impact the Caribbean Basin Initiative (CBI) could have on their business. I have been told that already some $2 billion in resources have been dedicated by the State Department for CBI countries to assist in a variety of endeavors including agricultural and horticultural projects.

Mr. Secretary, while you are probably not able to do so now, would you have your Department identify for me those resources and/or funds which are or have been allocated for the establishment and maintenance of fruit and vegetable projects in the Caribbean Basin. Also, what resources are planned for such projects in the future? Has the Department made an effort to assess the impact of these projects on domestic fruit, vegetable and horticultural operations? If not, will it do so?

Answer:

An important but far from exclusive thrust under the CBI are projects that assist countries to increase their levels of non-traditional agricultural exports as a means of diversifying and stabilizing their economies and promoting economic growth. Many of the non-traditional agricultural exports are in the form of specialty tropical crops not produced in the United States such as pigeon peas, yams, cassava, etc. and for which a burgeoning ethnic market exists in the U.S. Other non-traditional agricultural exports are vegetable crops that are produced on a seasonal basis in the U.S. such as cucumbers, melons, eggplant, cauliflower, brocolli, and brussels sprouts. It is only economical to produce such crops in the CBI region countries during time periods when there is no U.S. production. Such off-season periods, which are called "windows", usually exist between December and March. Imports in the U.S. during this time period actually assist U.S. production through a maintenance of a stable, year around, fresh market supply which stimulates consumer demand.

CBI production of these vegetables is primarily in competition with Mexico which controls the overwhelming share of the U.S. import market. For example, in 1984 CBI region countries exported less than one percent of the cucumbers that Mexico exported to the U.S. Imports of all horticultural products (excluding bananas and plantains) from the CBI region accounted for only two percent of total U.S. horticultural imports in 1984. CBI area vegetable production is a minimal threat even to Mexico, which is the only real competitor. Yet because the CBI countries are much smaller in population and land area, non-traditional agricultural export crops would represent major new sources of income and be a major economic impact for this region.

No U.S. funds are being utilized to promote citrus production in the region.

QUESTIONS SUBMITTED BY SENATOR LAUTENBERG

ARAFAT INDICTMENT

We discussed the Justice Department investigation of the possible indictment of Yasser Arafat when you came before the Senate Budget Committee several weeks ago.

As you know, the Justice Department is currently reviewing the evidence and the legal grounds for indicting Yasser Arafat for the murder of American Ambassador Cleo Noel and Charge d'Affaires G. Curtis Moore in Khartoum, Sudan in 1973.

Question:

If there are indications of Yasser Arafat's involvement in this murder, would you favor the Justice Department using all legal avenues to investigate the issue? Would you favor seeking his indictment on murder charges?

Answer:

The decision to prosecute must be made by the Department of Justice based on the information that is available to it. The Department of State has fully cooperated with the Department of Justice in its investigation.

Question:

I'd like to ask you again about whether the State Department had any input into the Justice Department investigations? In what form?

Answer:

The Department of Justice decided not to prosecute based on its careful review of the information available to it and the applicable law. The Department of State cooperated fully with the Department during its investigation. The normal process of State-Justice cooperation and consultation was followed in this case.

Q: The Justice Department is currently reviewing the evidence and the legal grounds for indicting Yasser Arafat for the murder of American Ambassador Cleo Noel and Charge D'Affaires G. Curtis Moore in Khartoum, Sudan in 1973

This may be the first real test of the Administration's determination to make good on its pledge to apprehend, arrest and indict terrorists. If there are indications of Yasser Arafat's involvement in this murder, would you favor the Justice Department using all legal avenues to investigate the issue? Would you favor seeking his indictment on murder charges?

If no, why not?

A: The decision to prosecute must be made by the Department of Justice based on the information that is available to it. The Department of State has fully cooperated with the Department of Justice in its investigation.

II Consulate

Question:

Secretary Shultz, why do we continue to maintain two separate diplomatic entities in the State of Israel, the Embassy in Tel Aviv and the Consulate in Jerusalem?

Answer:

We do not, in strict diplomatic sense, maintain two diplomatic entities in the State of Israel. Jerusalem is not a constituent post of Embassy Tel Aviv, and its personnel are not accredited to the Government of Israel. We have maintained a consulate in Jerusalem since the days of the Ottomans. It enjoyed the same independent, non-constituent post status prior to 1967.

The maintenance of a separate and independent mission in Jerusalem reflects the policy of eight American Administrations that the city of Jerusalem should be undivided, that free access should be assured for all faiths, and that the final status of the city should be the subject of a negotiated settlement within the context of arrangements for a just and lasting peace in the Middle East. It is thus appropriate that we continue to maintain an independent Consulate General in Jerusalem.

US RELATIONS WITH GREECE

Question:

Secretary Shultz, there have been improvements in US-Greek relations since 1984. How do you view these developments? What further progress do you see?

Answer:

Last year, Prime Minister Papandreou expressed the wish to move our relationship into "calmer waters", an objective we shared. My recent visit to Athens shows how far we have come in that direction, through a step-by-step approach to resolving bilateral issues.

The steps we have taken so far include: completion of all necessary steps for the sale of advanced US fighter aircraft to Greece; conclusion of an agreement to safeguard military information; conclusion of an interim civil aviation agreement; and broader cooperation in meeting the challenge of terrorism.

In addition, my talks in Athens enabled us to identify items we will be working on in the months ahead. I believe there is the potential to achieve good results. These include: resolution of outstanding issues that will clear the way for a base labor agreement and a comprehensive Status of Forces Agreement; negotiations on an agreement for Voice of America facilities; further negotiations on defense industrial cooperation; further trade and investment talks; and examination of ways to further enhance our cooperation against terrorism.

Question:

How do you think these developments affect the prospects for renewal of the US bases agreement which expires in 1988?

Answer:

I also had good discussions in Athens on the future of US military facilities in Greece. We did not reach a conclusion, but we did agree that serious discussion of this question would take place in time to permit the orderly resolution of the questions well prior to December 1988.

Question:

Is it true that concessionary loans aside, Greece has actually received only 1 to 2 million dollars in US funds in each of the past several years while Turkey received over $300 million last year?

Answer:

In FY 1986, Greece is expected to receive $1.2 million in International Military Education and Training (IMET) funds, as well as $347 million in concessional FMS credits and $83.5 million in Treasury-rate FMS credits. The only grant assistance is the $1.2 million IMET funding. IMET figures have been similar for the past several years.

For FY86, Turkey received $3.2 million in IMET funding, as well as $120 million in Economic Support Funds (ESF), $206 million in Military Assistance Program (MAP) grants, $330 million in concessionary FMS loans, and $79 million in Treasury-rate FMS credits. Grants to Turkey total $329 million (IMET, ESF and MAP).

Factors in determining aid to Greece and Turkey include their role and contribution to NATO, relative economic strength, and ability to repay loans. It is worth noting in this respect that per capita GNP for Greece in 1985 ($3,337) was three times as high as the figure for Turkey ($1,074), according to OECD figures. Moreover, Turkey is on the way to recovery from serious economic straits in the 1970'S. The government of Prime Minister Ozal is implementing a courageous program of market-oriented economic reforms which could be a model for other countries in similar circumstances and deserves our support.

Question:

Secretary Shultz, I understand that one of the Administration's chief reasons for selling arms to Saudi Arabia is to counter the existing threat to Saudi Arabia posed by Iran. When will these advanced missiles be delivered? When will these deliveries be completed?

Answer:

The Administration is going forward with the sale now to achieve important political objectives: to send a clear signal to Iran not to expand the Iran-Iraq war to the moderate Gulf states and to bolster the resolve of these states, with whom we share important security interests. However, the missiles included in this sale are being sold to address a U.S.-validated assessment of the threat Saudi Arabia can expect to face during the period the missiles will be in the Saudi inventory, i.e., starting in the early 1990's. Standard U.S. Department of Defense methodology was used in making the calculations, which justified the missile numbers included in the Saudi request. They will be delivered beginning 1989 through 1991.

Question:

Secretary Shultz, the Administration says Saudi Arabia need these missiles to fight off the Iranian Air Force. They also argue that the amount of missiles the Saudis need is determined by the number of enemy targets to be hit. Since the Iranian Air Force is the target, how many operational aircraft does the Iranian Air Force have?

Answer:

These missiles are being sold to Saudi Arabia to meet legitimate long-term defense requirements, not the immediate Iranian threat. However, even with its degraded air force, Iran remains capable of launching devastating air and naval attacks against Saudi petroleum facilities, power and desalinization plants and ports along the Gulf coast.

Question:

How many advanced missiles does the Saudi Air Force currently have? What is the combat kill ratio of Sidewinder missiles?

Answer:

The United States has (prior to the sale now before Congress) sold Saudi Arabia approximately 3,400 AIM-7F, AIM-9B/J/P and AIM9L air-to-air missiles. Of this number approximately 900 remain to be delivered. Obsolescence, missiles expended in training and the need periodically to return the missiles to the U.S. for maintenance have, of course, reduced the number of missiles on hand.

The Department is unable to provide the combat kill ratio of Sidewinder missiles since this is classified information.

Question:

Can the Stinger weapons included in the Administration's arms package be used as a terrorist weapon?

Answer:

The Stinger missile system weighs over 34 pounds. The missile/barrel assembly is five feet long. These characteristics make the Stinger a less than ideal terrorist weapon, certainly not one easily concealed. More important, by mutual agreement, the Saudi Stingers are stored under stringent conditions that ensure strict accountability for the missiles. The thousands of smaller SA-7s in the inventories of such countries as Iran, Libya, Iraq and Syria pose a far greater threat than the Stingers we propose to sell Saudi Arabia.

Question:

Have the Saudis provided the PLO with weapons in the past?

Answer:

No. Past allegations to this effect have proven baseless.

Question:

Does Saudi Arabia provide financial support for the PLO? Can you tell me roughly how much they provide a year?

Answer:

In accordance with a commitment made at the Baghdad Summit Conference in 1978, Saudi Arabia makes payments to Jordan, Syria, and the PLO. The annual amount provided the PLO is approximately $90 million. We would prefer that Saudi Arabia discontinue these payments, but recognize that they believe these payments provide leverage and channels of communication they consider important.

Question:

Are you aware that Saudi Arabia voted for the so-called "isolation resolution" in the U.N. last December, which condemned Israel, laid the groundwork for expelling her from the United Nations, and condemned the U.S. for providing her with aid and arms?

Answer:

Yes, I am familiar with the Saudi position on the resolution. The Saudis understand our views on this resolution, including our concern over the criticism of the U.S. Saudi support of the resolution reflects the basic differences in Arab and U.S. views toward strategy for achieving a just and lasting peace in the Middle East as well as Arab frustration with the status quo.

Question:

Has Saudi Arabia been a leader in trying to impose sanctions on American companies that do business with Israel? Has Saudi Arabia participated in the Arab boycott of Israel?

Answer:

Saudi Arabia, as a member of the Arab League, has participated, to and extent, in the Arab League Boycott of Israel. Nonetheless, U.S. businesses, many of which carry on extensive commercial relations with Israel, have participated in the development and commerce of Saudi Arabia. Our experience, and I am confident that Treasury and Commerce would support me on this, is that Saudi Arabia has been one of the more accommodating Arab states in developing compromise language which enables American firms to conduct their commercial and banking activities in compliance with both Saudi and U.S. law.

Question:

Are you aware that King Fahd has repeatedly expressed his categorical solidarity with Libya's Muammar Qaddafi in the wake of the terrorist killings at the Rome and Vienna airports, going so far as to vow to replace losses Qaddafi suffers as a result of the American Boycott?

Answer:

Senior Saudi officials have categorically denied that King Fahd made any commitment to reimburse Libya for losses resulting from U.S. economic sanctions. In fact, Saudi Foreign Minister Saud indicated Saudi displeasure with Qaddafi, by refusing to attend the Arab League meeting called to marshal support for Libya in the face of U.S. sanctions unless an agenda item calling for Arab economic sanctions against the United States was dropped. The expression of solidarity you refer to originated with Libyan television and press reports apparently based on the TV report; events of the past week demonstrate the unreliability of Libyan television as a source of news.

Question 1:

By what date does the Department expect to remedy all the internal control and accounting problems identified in its most recent FIA report?

Answer:

The Department's 1985 FIA Report listed three new internal control weakness and reported on the status of the eleven weaknesses listed in our 1984 letter/report. We are pleased to report that the Department is making good progress in correcting all internal control problems identified. Our quarterly follow-up and tracking system indicates that five of the nine weaknesses reported in our 1984 letter/report, for example USDO accountability, visa operations, overseas cashiering have been corrected. Corrective action on three additional weaknesses - two added in our 1985 letter/report and one from our 1984 list - are scheduled to be completed by September of 1986. Other weaknesses such as Accounting Systems, the vulnerability of U.S. facilities and personnel abroad to terrorist threats and overseas construction are being corrected. However, completion is not expected for at least 2-3 years. For instance, a supplemental is now before the Congress to resolve the problem of our vulnerability - personnel and facilities - to terrorist threats abroad. It will take time - even after funding is made available - to design, procure, ship and install the systems or build facilities to adequately assure the removal of this vulnerability.

Our overseas Financial Management System (FMS) has been developed and is partially or entirely operating at ten overseas locations. We have just begun the process to procure an off-the-self system to install in Washington for our domestic FMS. It is our intention, that the domestic FMS be installed, with appropriate interfaces to other systems including our overseas FMS (operated at Embassies and Regional Administrative Management Centers), during 1987. At that time, the Domestic FMS will help rectify many of the domestic weaknesses identified in our FIA report, such as: reconciliation of our real and non-personal property reports, enhance Financial Management information and controls, and standardize procedures and technical control over financial functions.

Question 2:

By what date does the Department intend to finish its development of the "model financial system for international agencies"?

Answer:

The Department's model Financial Management System (FMS) for international agencies is already developed and operating at 10 overseas sites. When fully implemented at 23 sites abroad, the FMS will provide accounting, budgeting and disbursing services for 140 countries, in 130 foreign currencies, covering transactions exceeding $6 billion per year.

The domestic FMS for international agencies will begin operating in 1987.

Question 3:

By what date does the Department expect to bring its personal property inventory into line with GAO's recommendations?

It has been 17 years since this problem was first identified by GAO. Does the Department expect to take 17 years to complete its development of a model financial planning system?

Answer:

From a systems perspective, the Department's standardized Non-Expendable Property Application (NEPA) is being enhanced so as to comply with GAO's Principles, Standards and Related Requirements. This enhancement will be complete by the end of 1986. Once enhanced, further development will result in NEPA software packages which will run on personal computers as well as mini-computers. Thus, virtually all posts throughout the world will be in a position to utilize this standardized property accounting system. A significant feature of the NEPA enhancement provides for distinct recording and depreciation of capitalized property.

Development of the overseas Financial Management System (FMS) is completed, and implementation of the domestic FMS will take place next year. Upon implementation of the accounting release of domestic FMS, capitalized property values will be reflected in the general ledger and reconciliation will be possible between the property and accounting records, thus bringing the Department's personal property inventory into line with GAO.

SUBCOMMITTEE RECESS

Senator RUDMAN. Thank you. The subcommittee is in recess subject to the call of the Chair.

[Whereupon, at 11 a.m., Wednesday, March 19, the subcommittee was recessed, to reconvene at the call of the Chair.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

WEDNESDAY, MARCH 26, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:45 a.m., in room S–146, the Capitol, Hon. Warren B. Rudman (chairman) presiding.

Present: Senators Rudman and Bumpers

FEDERAL TRADE COMMISSION

STATEMENT OF TERRY CALVANI, ACTING CHAIRMAN, FEDERAL TRADE COMMISSION

ACCOMPANIED BY:
FREDERICK J. ZIRKEL, DIRECTOR OF BUDGET AND FINANCE
JAMES A. WILLIAMS, ACTING EXECUTIVE DIRECTOR

Senator RUDMAN. The hearing will come to order.

This morning we will review the budgets of the Federal Trade Commission, the Civil Rights Commission and the Arms Control Disarmament Agency.

Our first witness this morning is Terry Calvani, the Acting Chairman of the Federal Trade Commission. We welcome you here this morning.

Mr. CALVANI. Thank you, Mr. Chairman.

BUDGET REQUEST

Senator RUDMAN. For fiscal year 1987 the FTC is requesting an appropriation of $69,045,000, an increase of $6,363,000 over the 1986 Gramm-Rudman-Hollings adjusted level.

It is a pleasure to welcome you here this morning, Mr. Calvani. This is your first appearance before this subcommittee and I understand that it may be your last since the Senate confirmation of Daniel Oliver as Chairman is evidently imminent. In any event we are pleased to have you here with us this morning.

Mr. CALVANI. Thank you.

Senator RUDMAN. If you would like to introduce your associates and to proceed to summarize your opening statement, your full statement will later be placed in the record.

Mr. CALVANI. Thank you, Senator. On my right is Jim Williams, Executive Director of the agency. On my left is Fred Zirkel, Director, Budget and Finance.

I very much appreciate the opportunity to be with you this morning and to visit with you about the FTC's 1987 budget request. I can appreciate that you and the committee staff are all very busy individuals. I will accept your invitation to submit my remarks for the record.

With your indulgence I would like to highlight the proposed budget's most important features.

The FTC's proposed budget for fiscal year 1987 represents approximately a 1-percent decrease in real terms from the staffing levels appropriated for the agency in fiscal 1986.

The 1987 request totals some $69 million and 1,154 workyears.

These figures reflect an increase of $3.5 million and a decrease of 14 workyears over the fiscal 1986 levels of about $65.5 million, and 1,168 workyears.

In the opinion of the Commission a 14 workyear reduction reflects a manageable change. In addition, these staffing reductions will take place solely within headquarters and they will not affect the regional operations of the agency in any way.

The Commission's fiscal year 1987 budget reflects funding for the agency's three missions as follows: maintaining competition, $31.1 million and 518 workyears; consumer protection is $33.4 million and 560 workyears; and economic activities, $4.6 million and 76 workyears.

The maintaining competition mission for fiscal 1987 reflects a decrease of six workyears from fiscal 1986. In the consumer protection area, there is a decrease of seven workyears. With reference to economic activity, it is a decrease of one workyear.

All these staff reductions will come from support services. No direct enforcement workyear decrease is planned. Seven workyears will come from presently unfilled positions within the general counsel's office. Five will come from Management Services. Two of these are currently unfilled and we expect three to come from attrition. Two positions will come from the Office of the Secretary. One of those positions is currently vacant and we expect the other one to come from attrition.

GRAMM-RUDMAN-HOLLINGS REDUCTIONS

The 4.3-percent sequestration mandated under Gramm-Rudman-Hollings for fiscal 1986 amounts to $2,817,000. This means that the agency's fiscal 1986 budget beginning March 1 will become $62,683,000, with 1,118 workyears.

If you'll permit me for just a moment or two, I would like to describe the Commission's plan for accommodating this reduction in funding.

A near total hiring freeze is now in place at the Commission. While this action will not, in and of itself, capture the necessary $2.8 million, it is expected to recoup approximately 40 percent of this amount.

Spending restrictions have been placed on such accounts as travel, training, contracts, equipment, printing and the use of outside consultants. Combined these budgets only total about 6.7 percent of the Commission's $65.5 million appropriation. Thus, sizable reductions are required in these budgets to capture a small percentage of the $2.8 million sequestration. It is currently projected that only 25 percent of the reduction can come from these critical support accounts.

The remaining 35 percent of the cut is expected to come from furloughing the agency for an estimated 5 to 7 days.

Mr. Chairman, under this plan, adopted by a majority of the Commission with me dissenting, we expect no significant dollar reallocation among missions nor is any budgeted program expected to be abolished.

This concludes my prepared statement. I would now be delighted to respond to whatever questions that you might care to pose. I offer my statement for the record.

Senator RUDMAN. Thank you. Your complete statement will be included in the record.

[The prepared statement of Terry Calvani follows:]

PREPARED STATEMENT

OF

TERRY CALVANI

ACTING CHAIRMAN

FEDERAL TRADE COMMISSION

Mr. Chairman and Members of the Subcommittee: I am pleased to appear before you today to discuss the Federal Trade Commission's fiscal 1987 budget request and to answer your questions.

Congress has charged the Commission with protecting the American public from "unfair methods of competition" and "unfair or deceptive acts or practices" in the marketplace. Thus, the Federal Trade Commission has an ongoing responsibility to ensure that American consumers are able to enjoy all the advantages of a vigorously competitive market -- free of unfair, fraudulent, and deceptive practices. In my opinion, the fiscal 1987 budget we are discussing today will permit us to continue to discharge this important responsibility.

Fiscal 1987 Budget Request

The FTC's proposed budget for fiscal 1987 represents approximately a one percent decrease in real terms from the staffing levels appropriated for the agency in fiscal 1986 . The 1987 request totals $69,045,000 and 1,154 workyears. These fiscal 1987 figures reflect an increase of $3.5 million and a decrease of 14 workyears over the agency's fiscal 1986 pre-sequestration levels of $65.5 million and 1,168 workyears.

After the President's sequestration, the FTC's fiscal 1986 spending will drop by $2,817,000 to $62,683,000. This will result in a difference of approximately $6.4 million between what we are requesting for fiscal 1987 and the revised fiscal 1986 budget.

In the opinion of the Commission, the 14 workyear reduction between $69.0 million and $65.5 million reflects a manageable change between fiscal years. In addition, these staffing reductions will not affect regional office operations, as all workyear cuts are targeted for headquarters.

Resources for 1987 will continue to be directed against business practices that truly harm competition and injure consumers, such as price fixing and mergers that substantially lessen competition. In fiscal 1987, the Commission will work directly with the business community to achieve voluntary compliance through education and articulation of policy.

Since 1981, the agency's workforce has been trimmed and its annual expenditures reduced. This long history of reducing staff while maintaining enforcement effectiveness will continue into fiscal 1987.

The Commission's fiscal 1987 budget requests funding for the agency's three missions as follows: Maintaining Competition - $31.1 million and 518 workyears; Consumer Protection - $33.4 million and 560 workyears; and Economic Activities - $4.6 million and 76 workyears.

Maintaining Competition Mission

The Maintaining Competition Mission for fiscal 1987 reflects a decrease of 6 workyears from fiscal 1986. This reduced budget will provide sufficient enforcement resources to pursue aggressively the goals and objectives of the mission. All staff reductions are in the area of support services, and no direct enforcement workyear drop is planned for this mission.

Among other things, the $31.1 million we propose be allocated to the Maintaining Competition Mission will permit the Commission to:

- Investigate alleged restrictions on competition in the delivery of health care services, a major sector of the economy that has been characterized for many years by rapidly rising consumer prices;
- Continue our emphasis on finding and eliminating restraints among direct competitors that raise or maintain prices above competitive levels or otherwise harm consumers;
- Challenge anticompetitive mergers that could lead to higher prices, restricted production, diminished quality, or other harms to consumers;
- Assure compliance with outstanding Commission orders;
- Render advisory opinions, to increase business conformance with the laws we enforce;
- Respond to numerous requests from Congress for our assessment of the competitive impacts of proposed legislation; and
- Articulate the competitive consequences of proposed policy changes contemplated by regulatory agencies.

Consumer Protection Mission

The Consumer Protection Mission for fiscal 1987 reflects a decrease of 7 workyears from fiscal 1986 levels. Support cuts also account for all of these reductions. The $33.4 million we propose be allocated to the Consumer Protection Mission will provide for a strong program. Specifically the Commission will:

- Target our consumer protection activities on cases involving substantial consumer injury -- particularly on cases involving fraud or deceptive sales or marketing practices, systematic breach of contract, false or deceptive advertising, and credit law violations;
- Provide resources to complete litigation and pending rulemakings in major program areas and to monitor compliance with existing rules and orders; and
- Work closely with both state and federal agencies to analyze the effects of their rules and regulations on the ultimate consumer.
- Work aggressively to educate consumers of their rights and businesses of their responsibilities under the consumer protection laws and rules we enforce;

Economic Activities Mission

The Economic Activities Mission budget request is for 76 workyears and $4.6 million. These resource levels reflect a decrease of one workyear from fiscal 1986 levels. No direct mission workyear cuts are planned for this Mission.

The $4.6 million allocated to the Commission's Economic Activities Mission will be used to provide economic analysis for antitrust and consumer protection investigations, cases, and rulemakings and to stress its traditional emphasis on independent analysis and reporting on important issues concerning the economy. For example, during the 1987 fiscal year, we expect the Economic Activities Mission to undertake or complete studies on the following topics:

- Competitive or regulatory problems of small businesses;
- Market for life care homes and other extended care options for the elderly;
- Regulation and competition in health care markets;
- Determinants and impacts of conglomerate mergers, takeovers, and sell-offs;
- Utilizing litigation for competitive purposes; and
- Use of stock market data to evaluate the competitive effects of proposed mergers.

Gramm-Rudman-Hollings (P.L. 99-177)

The 4.3 percent sequestration mandated under P.L. 99-177 for fiscal 1986 amounts to $2,817,000. This means the agency's adjusted fiscal 1986 base beginning March 1 will become $62,683,00 and 1,118 workyears. The following steps have been taken to adjust to these cuts:

- A near total hiring freeze is now in place at the Commission. While this action will not in itself capture the necessary $2.8 million, it is expected to recoup approximately 40 percent of the sequestration amount.
- Spending restrictions have been placed on such accounts as travel, training, contracts, equipment, printing, and the use of outside consultants. Combined, these budgets only total 6.7 percent of the Commission's $65.5 million appropriation. Thus, sizeable reductions are required in these budgets to capture a small percentage of the $2.8 million sequestration. It is currently projected that only 25 percent of the sequestration reduction can come from these critical support accounts.
- The Commission, in its desire to minimize the number of furlough days, asked that OPM grant it authority to offer early retirements. This agency request has been turned down. Thus, the remaining 35 percent of the cut will, in all probability, need to come from furloughing the agency's staff. The Commission has already approved the scheduling of three furlough days.

Mr. Chairman, under this plan, approved by a majority of the Commission, no significant dollar reallocation is expected to occur among missions nor is any budgeted program expected to be abolished. The agency's primary objectives when adjusting to the President's sequestration are to:

- protect high priority law enforcement activities from significant cuts;
- avoid the unnecessary harm to Commission employees; and
- assume P.L. 99-177 will continue in force through fiscal 1991.

Space Consolidation

The fiscal 1987 figures before you were developed on the basis that the consolidation of our headquarters satellite office locations will be complete by July 1986. Because consolidating these offices would reduce direct costs and save taxpayers millions of dollars over the long-term, the Commission will continue to work unfailingly towards accomplishing this important management initiative in a timely manner.

Reauthorization

It is my sincere hope that this will be the year the Commission achieves reauthorization. The reauthorization bills drafted by the commerce committees and approved by both Houses last year contain important clarifications of the Commission's powers and articulations of legislative intent.

As you will recall, the Commission might well have been reauthorized but for the battles over the professions jurisdiction in 1982 and the hiatus created by the Supreme Court's 1983 Chadha decision holding the legislative veto unconstitutional. But much headway has been made toward resolving these issues.

Concluding Remarks

Mr. Chairman and Members of the Committee, I hope you can see from our fiscal 1987 budget submission that the Commission is determined to carry out effectively its statutory mandates. The agency's 1987 request reflects the cost savings and efficiencies associated with the successful review and alteration of past policies and practices.

I feel strongly that the resource level proposed for fiscal 1987 coupled with the policy directions just outlined will enhance our overall operating efficiency, and that the budget before you is adequate for us to meet our Congressional mandate.

* * * * *

Mr. Chairman and Members of the Committee: that concludes my prepared statement. I would be happy now to respond to your questions.

EMPLOYMENT LEVEL

Senator RUDMAN. How many employees are there presently, Mr. Calvani?

Mr. CALVANI. As of this morning there were 1,144.

Senator RUDMAN. And is part of your plan to meet the sequestration a furlough for every one of those employees for a 5 to 7-day period?

Mr. CALVANI. Yes, sir.

Senator RUDMAN. I notice that you had said that you dissented.

Mr. CALVANI. Yes, sir.

Senator RUDMAN. You dissented on the vote with the Commission.

Mr. CALVANI. Yes, sir.

Senator RUDMAN. What would you have done?

Mr. CALVANI. I think reasonable people can differ as to how you take the cuts.

Senator RUDMAN. We do that around here.

Mr. CALVANI. I think I would have preferred for us to look at some programs that at least I, and obviously I can't speak for the Commission here, regard as nonessential to the mission. I would have personally contemplated abolishment of selected agency programs an effort to minimize the number of furlough days.

If we had some reduction in force, early retirement may have been available to the agency, thus we would have been able to capture some of those savings through early retirement.

Senator RUDMAN. What would have been some of the things that you would have eliminated?

Mr. CALVANI. I would have had us look at the line of business program which the Commission has discontinued..

At present there is still some expenditure of resources with reference to the line of business where we are massaging data and making it available for private outside consultants. I think that is a valuable function. It has been well received in the academic community of this country. But I am not altogether sure, speaking personally, that it is central to our mission. Since the Commission had abolished the line of business program, I would propose closing that operation.

I also have some question as to whether the cigarette testing laboratory is appropriately housed in the Federal Trade Commission. I am not sure why this activity is within government and, if it properly belongs in government, why it doesn't more appropriately fit in the Surgeon General's office or the National Institutes of Health.

At the same time I would have preferred eliminating the Denver regional office.

Those would have been three areas that I would have proposed to the Commission to be cut in order to achieve the Gramm-Rudman-Hollings reductions.

Senator RUDMAN. I think that if I had been voting that I would have probably voted with you. I think that you are right. But obviously you were out-voted.

Mr. CALVANI. Obviously I was out-voted.

I can in good conscience, say that I support the Commission's proposal. As one astute political commentator had observed, this is perhaps a bad idea whose time has come. There are probably many reasonable ways in which to address this common problem.

Senator RUDMAN. Very well. On that same general subject and your quote of that anonymous spokesman, let me ask you about some of the legislative battles that you look ahead to here.

Mr. CALVANI. Yes.

TICOR LITIGATION

Senator RUDMAN. I'm particularly interested in your views this morning, for obvious reasons, and the battle about your title insurance, I believe, the lawsuit. This, of course, comes rather directly on the point with Humphrey's Executor, which, of course was neatly sliced up by the three-judge Federal court. In fact, I believe that the three-judge Federal court did something remarkable. They overruled the U.S. Supreme Court decision. They said that they didn't. But the fact that they said that they didn't, I think they did to reach the conclusion that they did in the case involving Gramm-Rudman-Hollings.

Tell me about that litigation at this time.

Mr. CALVANI. Sure. I would be delighted to. As you are aware, the principal lawsuit, *Ticor Title Insurance Company* versus *the Federal Trade Commission*, was filed some time ago. On January 3, 1986, the district court granted the Commission's motion to dismiss on ripeness grounds.

At present, the plaintiffs in that litigation have filed an appeal in the U.S. Circuit Court of Appeals for the District of Columbia. It is currently pending there.

Perhaps more importantly, the Ticor litigation has spawned other cases. It is not surprising that respondents in Commission proceedings today are increasingly filing Ticor-type motions to dismiss or collateral lawsuits. At present there are four other currently pending cases that present Ticor issues. I am prepared this morning to discuss each of them in detail if you would care to have me do so. I think I could summarize this by saying that all of them are currently pending in some procedural posture or another. There has not been a definitive resolution through the courts of appeals in any of the actual cases, Mr. Chairman.

INDEPENDENCE OF COMMISSIONERS

Senator RUDMAN. Would you agree with some observers that if the lower court decision in the Gramm-Rudman-Hollings lawsuit were to be sustained by the U.S. Supreme Court, that implied certainly within the decision of the lower court is the power of the President to remove independent commissioners?

Mr. CALVANI. Well, in my view, and I suppose that this comes as no surprise to a lawyer, I think that the cases can be distinguished. Should the decision of the three-judge court be ultimately sustained we will argue, vociferously I might add, the cases are distinct and this case actually presents a different issue.

I have to admit if that were the ultimate resolution of the Gramm-Rudman-Hollings litigation that decision would not be of great help to us.

Senator RUDMAN. I get the general view after having read not only the three-court decision, but many of the cases cited within it, being a former attorney general of my state and in being familiar with these things, you have to reach the conclusion that the entire independent agency structure that we have which is referred to by some as a fourth branch of the government, and I guess that is the press, but the fifth branch of government, it seems at least to this observer that there is very much involved in this entire discussion. I think a lot of people ought to be looking rather closely at this case. My understanding is there will be some amicus briefs filed by people who are concerned about that possible result, which I think would be most unfortunate, Mr. Calvani.

Mr. CALVANI. I agree with you, Senator. I am sure you understand my reluctance this morning to create a record that could later be used against the agency.

Senator RUDMAN. I understand that.

Being a lawyer and knowing your distinguished background, I just thought that I would ask the question. I think that you have given me the answer I expected on it.

There are a number of questions that we are going to have that will be for the record I am sure because they are fairly detailed.

Mr. CALVANI. Yes, sir.

ANTITRUST EXEMPTIONS

Senator RUDMAN. I want to just ask you a few general ones involving not so much specific budgetary questions, but broader policy questions.

On November 12 of last year the Commission released a staff report opposing proposals to provide a 5-year exemption from most antitrust laws for mergers, acquisitions and joint ventures in industries that have been injured by imports.

Now since that time the administration has sent a proposal to Congress, S. 2161, which is being sponsored by Senator Thurmond, amending the Trade Act of 1974 to give the President the option of granting antitrust relief to enhance competitiveness of industry impacted by imports.

In your judgment, speaking for yourself, obviously not for the entire Commission, would liberalizing the antitrust laws enhance the ability of domestic industry to compete with foreign firms?

Mr. CALVANI. Underscoring the fact that the Commission doubtless will be called upon to submit formal comments to the Senate Judiciary Committee and perhaps to other committees, I cannot speak for the Commission. I can address this question only giving my own personal views.

I applaud the administration for its efforts to revisit the important antitrust issues. I think that it is terribly important, from time to time, we look at the laws that have been on the books and ask ourselves if these laws continue to serve important and valuable functions today. So I think the administration deserves a great deal of credit for embarking upon this endeavor.

There are five different bills that have been submitted covering a whole range of antitrust issues. But focusing specifically on the bill sometimes referred to as the 201 escape clause bill, I must say, that at this juncture I remain to be persuaded that a good case has been established for making this change.

I want to be explicit in saying that I am not here today opposing that legislation. I look forward to giving it very careful consideration as we begin to formulate the Commission's response. My mind is open.

To date I have not seen the case made that liberalizing that section of the antitrust laws will make American business more competitive on the world scene.

Indeed, the Federal Trade Commission has recently, through its Bureau of Economics, released a report. That solely is a report of the Bureau, not a report of the Commission. This report calls into question whether loosening of the antitrust laws will really have a salutary effect upon the declining industries of this country.

Let me conclude here by saying that I think it is important that we look at this issue. My mind is open. However, I have not as yet been convinced that this particular bill is in the public interest.

FTC COMMENT ON LEGISLATION

Senator RUDMAN. Was the FTC consulted or given an opportunity to comment or to have any role in the preparation of the legislation that we are discussing here that was submitted by the administration?

Mr. CALVANI. I want to make sure I answer the question accurately. The Commission itself, I do not believe, was asked for formal comments in terms of the input to the working parties. I would have been surprised if we had been because of the independent nature of the FTC, Mr. Chairman.

Senator RUDMAN. Maybe I should restate the question. Was your Antitrust Division consulted?

Mr. CALVANI. I don't think formally. I am sure that there has been some informal exchange. The Commission's views and views of the staff were not formally solicited.

However, after the legislation had been drafted, we received a request for comment from the Office of Management and Budget.

Senator RUDMAN. After it was submitted?

Mr. CALVANI. I believe that is correct.

Senator RUDMAN. The reason that I had asked the question is because, No. 1, I understand the independent nature of the agency, or at least I thought that I did until a few weeks ago, but the agency certainly is an excellent repository for a lot of expertise. I don't see any violation of the independent nature of the agency to do extensive consultation with experts within the government on issues that are going to be major legislative issues.

Now beyond that, in reading over your resume, I dare say that you probably have as much antitrust experience as almost anyone in the government except possibly one or two lawyers in the Justice Department. My understanding is that you practiced law in San Francisco and you did a lot of antitrust work there. You did antitrust work with another law firm in Alabama. I understand that you taught antitrust and regulatory law at Vanderbilt; is that correct?

Mr. CALVANI. Yes, Senator.

Senator RUDMAN. You were not consulted personally on your personal point of view?

Mr. CALVANI. No, sir.

Senator RUDMAN. They probably asked somebody over at the DOD.

This really astounds me because we had a discussion on that with Secretary Baldrige. It is a matter which I am sure that you know that I am very interested in.

I believe that there needs to be a major change in the antitrust laws because of the changing markets and the fact that we now operate in the world.

Nevertheless, I dare say if we are not careful, then it seems to me that we can cause havoc to our own domestic markets and our idea that monopolies and price-fixing are not in the best interest of the American consumer. So these are very important questions. I would have hoped that the administration proposals might have at least had within them the opportunity of consultation with people like yourself in the administration on this. I'm sorry about that. Obviously that is beyond your control as well as mine.

Mr. CALVANI. Sir, I'm sure that we will have the ample opportunity to provide input to the Congress. The agency looks forward to that opportunity.

RESALE PRICE MAINTENANCE

Senator RUDMAN. Let me talk briefly about the resale price maintenance.

Mr. CALVANI. Yes.

Senator RUDMAN. This is a subject, as you know, that I'm very interested in.

As you know, the fiscal year 1986 Appropriations Act contains a general provision prohibiting the use of funds for any activity which would alter the per se prohibition on resale price maintenance.

Can you give us a status report on that whole area of resale price maintenance?

Mr. CALVANI. Sure; I'd be delighted to.

Senator RUDMAN. That's one that I am interested in.

Mr. CALVANI. Let me preface by saying that, as you are probably aware, I personally am not enamored with the per se nature of resale price maintenance law.

In my own view, the law poses some significant losses to the American consumer welfare. We would welcome a change in that area.

Senator RUDMAN. Let me interrupt you.

Mr. CALVANI. Yes, sir.

Senator RUDMAN. Let me interrupt you and say that maybe a lot of us would. We think those changes ought to be made by the Congress and the elected officials. That is the only issue I am really concerned about.

Mr. CALVANI. I understand that.

Senator RUDMAN. Yes.

Mr. CALVANI. That leads me to my very next comment, Mr. Chairman, you obviously anticipated what this would be.

I believe, as Commissioner of the Federal Trade Commission, that is, as Commissioners, we take an oath to enforce and execute the laws of the United States. Those are the laws as we find them, not as we would have them be.

As I have indicated to numerous oversight committees, I am personally committed to a vigorous enforcement of all of the laws we are charged with enforcing.

By the same token, in another area, and I am not a big fan of the Robinson-Patman Act, but under my acting chairmanship, the Commission has issued two Robinson-Patman matters. This is because I do believe it is our obligation to enforce the laws.

Presently at the Commission there are a series of cases that are currently involved in litigation. They involve the same industry. One of them recently resulted in a final consent order.

Three cases are currently still under consideration by the Commission. I ought not to address the merits. But these are cases that do focus on resale price maintenance issues. I think they exemplify the dedication of the agency in bringing the cases where the facts warrant, Mr. Chairman. These cases involving decorating products, wallpaper and the like, Mr. Chairman.

Senator RUDMAN. I take it from your statement that you would agree with me that the FTC would be ill advised to file briefs in the U.S. Supreme Court or other places advocating essentially a major change in the way that those laws were administered rather than doing it by a statutory scheme.

Mr. CALVANI. Senator, I'm not sure that I would agree with you on that.

Senator RUDMAN. Would you disagree with the action of congress vis-a-vis the Justice Department a couple of years ago, Mr. Calvani?

Mr. CALVANI. Well, actually, Senator, I don't believe I was in government at the time. So I am not altogether sure what the strictures were, or what that resolution actually provided. I find I get myself into trouble when I start talking about things I know about and a whole lot of trouble when I start talking about things I don't know about. So I guess that I probably ought to revisit that resolution.

Senator RUDMAN. Then let me put it more specifically. Based on the statement which you just made, which I agree with completely, I take it that the FTC would not go into Federal court, particularly the U.S.

Supreme Court, and say to the U.S. Supreme Court that the per se prohibition on resale price maintenance is from a time gone by and to find a legal means to repeal it by judicial fiat rather than by legislative action. I take it that you would not do that.

Mr. CALVANI. Senator, I could not give you a commitment that I would not do that.

Obviously if the resolution or some law of the Congress would prohibit us from doing that, I would then follow the law.

The Commission has, from time to time, gone to the U.S. Supreme Court and argued for changes one way or another. I know of no reason why resale price maintenance should be singled out from the whole host of available antitrust laws as an area where the Commission ought not advocate change, Mr. Chairman.

Let me mention in this verv area the Russell-Stover litigation, which was undertaken by this very Commission not many years ago. This was clearly test litigation. The record so indicates. The published reports and those in the newspapers that have been obtained under the Freedom of Information Act clearly illustrate the Commission decided it would take a case, hopefully, all the way to the U.S. Supreme Court in order to broaden the contours of conduct in resale price maintenance, of impermissible conduct.

I guess that I would not understand why it would be permissible for the Federal Trade Commission to go to the U.S. Supreme Court and argue for greater liability under resale price maintenance and, at the same time, be prohibited from taking a counter position.

Senator RUDMAN. I understand your answer. I just want to ask you one more question.

Mr. CALVANI. Yes, sir.

Senator RUDMAN. I have a reason for building this record.

Mr. CALVANI. I understand.

Senator RUDMAN. Would you agree that there is a difference between your agency or any other going into court to try to change doctrines laid down by the court as opposed to going to court and trying to change by court action what is rather obvious and specific as to the intent of the Congress in a law, Mr. Calvani? There is quite a difference.

Mr. CALVANI. There is; yes. I would agree with that, Mr. Chairman.

Senator RUDMAN. You would agree with that?

Mr. CALVANI. Yes.

Senator RUDMAN. So obviously you would agree with me that no prosecutor would have any right to go to an appellate court and ask for a mandatory sentence scheme to be repealed other than on constitutional grounds if the legislature had established that as the law of the land?

Mr. CALVANI. I would agree with that statement.

Senator RUDMAN. That's my problem, of course, on the resale price maintenance.

Mr. CALVANI. Yes.

Senator RUDMAN. We can talk about that another time.

I'm glad to have your answer on the record.

Mr. CALVANI. Yes, sir.

SHARING OF PREMERGER INFORMATION

Senator RUDMAN. I just have a couple of others.

During the Texaco-Getty Oil merger, the Commission ruled three to two that they are prohibited by provisions of the Hart-Scott-Rodino from sharing premerger data with the State attorney generals.

Now, this ruling has since been challenged in the court and upheld by a three-judge panel of the Second Circuit Court of Appeals.

Would you support changes in the law to permit the sharing of premerger information with the States if adequate confidentiality safeguards could be provided?

Mr. CALVANI. I would want to look at the specific legislation very carefully. I can commit to you that I would be delighted to look at specific legislation and provide you and the committee with my responses. That would be an area where I think the details of the legislation would be most important.

Not only, Mr. Chairman, was the Commission's position in that case vindicated by one court of appeals, but this has now been vindicated by two courts of appeals.

Senator RUDMAN. All right. We wanted to hear your view of it.

Mr. CALVANI. Surely.

AUTHORIZATION LEVELS

Senator RUDMAN. There is legislation to reauthorize the FTC. It has passed both Houses of the Congress.

The House bill sets an fiscal year 1987 appropriation ceiling of $64.2 million. The Senate level is $66.8 million. There is language to permit additional increases for employee compensation and benefits. Your 1987 budget request of $69,045,000 would exceed the ceilings contained in both authorization bills.

Have you discussed this problem with the conferees, Mr. Calvani?

Mr. CALVANI. I believe the staff has. I can give you an update as to what I understand are the differences, Mr. Chairman.

Senator RUDMAN. If you want to do that for the record you can. If you want to give me a brief answer now, you can.

Mr. CALVANI. Then why don't I submit it for the record, Mr. Chairman.

Senator RUDMAN. That's an important question. I would like to get a detailed answer.

Mr. CALVANI. Why don't I submit it for the record, Mr. Chairman.

Senator RUDMAN. Yes. Obviously, what we do depends to some extent on that.

Mr. CALVANI. True.

Senator RUDMAN. Thank you.

Mr. CALVANI. Yes, sir.

[The information follows:]

FTC AUTHORIZATION LEVELS

The amounts contained in the pending House and Senate authorization bills were developed last year and do not reflect current estimates. More importantly, both the authorization and appropriation levels for fiscal 1987 assume a "straight-line" budget for the FTC; that is, there are no program-related increases sought. The difference between the amounts simply reflect increased costs the Commission is required to pay to maintain current service levels, particularly office space rent. We have informed the conferees of these facts and are hopeful of a satisfactory resolution.

If the proposed Senate authorization level was enacted, it would mean a reduction of $2.3 million from our fiscal 1987 request. Because most of our funds are devoted to salaries and benefits, the reduction would cause our funded workyears to drop by 60, from 1,154 to 1,094, a reduction of more than 5 percent. If the House authorization level was enacted, it would mean a reduction of $4.9 million or 120 workyears, a reduction of more than 10 percent.

GRAMM-RUDMAN-HOLINGS REPROGRAMMING

Senator RUDMAN. In connection with the reductions under Gramm-Rudman-Hollings would you be asking us for reprogramming, Mr. Calvani?

Mr. CALVANI. No, sir; we do not anticipate asking you for reprogramming.

Senator RUDMAN. So nothing that you would be doing would require reprogramming?

Mr. CALVANI. That's right. We do not anticipate asking for reprogramming.

Now part of our budgetary savings are predicated on attrition. The attrition levels are predicated upon past experience.

To the extent that our crystal ball is reasonably clear, at this point in time we will not be asking for reprogramming, Mr. Chairman.

SPACE CONSOLIDATION

Senator RUDMAN. Very briefly, how are you coming with your consolidation efforts?

Mr. CALVANI. Senator, I'm glad you have asked that question.

Senator RUDMAN. I thought you might be.

Mr. CALVANI. This morning I would be dishonest if I didn't indicate to you how we stand, this literally varies by the hour literally. Whether we are on track or off track is a subject that is changed almost on a daily basis.

I think today, as I understand it, we are somewhere between off track and on track.

The House Public Works Committee is understandably concerned about expenditures for buildings, brick and mortar. We have, I believe, not yet worked out an agreement with the House Public Works Committee that will permit us to proceed ahead with consolidation.

The leases have not all been signed. The ink is not dry. We would appreciate the good efforts and the good offices of this committee in any way possible to bring about building consolidation.

This is a terribly important issue to the agency because we will be able to obtain significant cost savings if we are able to proceed with the consolidation.

Right now we waste a lot of the taxpayers' dollars by virtue of being scattered about the city of Washington. We will be able to obtain significant cost savings with this consolidation.

We hope, Mr. Chairman, that we will be able to move as expeditiously as possible.

Senator RUDMAN. We certainly would support that, Mr. Calvani.

Mr. CALVANI. Thank you.

Senator RUDMAN. Senator Bumpers.

Senator BUMPERS. Mr. Calvani, I really want to speak on behalf of myself and Senator DeConcini.

Mr. CALVANI. Yes, sir.

REPROGRAMMING

Senator BUMPERS. It is for Senator DeConcini first. He is concerned about reprogramming. You just said here that you won't have to do any of that.

Mr. CALVANI. We would not.

Senator BUMPERS. You can assure him that you will not do that until this committee and he are notified of any intention to do that?

Mr. CALVANI. Of course, sir.

Senator BUMPERS. Finally, let me just ask you this, Mr. Calvani.

ANTITRUST ACTIONS

How many actions under the antitrust laws of this country has the FTC brought in the past 12 months?

Mr. CALVANI. Senator, I have the number of cases that are currently pending. I can provide for the record the number of cases that have been filed in the past 12 months. The number of cases pending as of today in the competition mission are approximately 22 that are in either the administrative tribunals or in the U.S. district courts.

If you are curious on the consumer protection side there are some 43 cases that are currently pending in either the administrative tribunals or in the U.S. district courts.

Senator BUMPERS. Would you furnish for the record and for my office a list of all those cases?

Mr. CALVANI. Sure; I would be delighted.

[The information follows:]

MAINTAINING COMPETITION COURT CASES

Administrative Complaints

D-9192	National Decorating Products Association, Inc. (4/29/85)
D-9193	Amerco (U-Haul International Inc.) (6/24/85)
D-9195	Massachusetts Board of Registration in Optometry (7/8/85)
D-9196	Olin Corporation (7/18/85)
D-9198	MidCon Corp. (9/19/85)
D-9199	Rochester (NY) Anesthesiologist (9/30/85)
D-9204	PPG Industries, Inc. (1/29/86)

Civil Penalty Actions Filed in Federal Courts

851-0082	Bell Resources, Ltd. (8/5/85)
C-3067	American Hospital Supply (9/30/85)

Preliminary Injunction Actions Filed in Federal Courts

D-9204	PPG Industries, Inc. (1/16/86)

CONSUMER PROTECTION COURT CASES

Administrative Court Actions Issued 4/1/85 - 4/1/86		ISSUED
D.9194	Buckingham Productions, Inc., et al.	06/24/85
D.9197	Meadow Fresh Farms, Inc., et al. (Roy Brog)	09/10/85
D.9200	Removatron International Corp.	09/30/85
D.9201	Electronic Systems International Inc.	11/01/85
D.9202	Electro Tech Mfg Inc.	11/01/85
D.9203	Pittsburg Penn Oil Company	01/16/86

District Court Actions Filed 4/1/85 - 4/1/86		FILED
832 3061	Tuff Tire Industries, Inc., et al.	04/29/85
842 3238	Nash Phillips/Copus, Inc.	06/24/85
832 3148	Control Technology, Inc., et al.	06/28/85
842 3021	Trans-Alaska Energy Corporation, et al. (Swain, Nissen)	07/02/85
832 3238	Del Monte Corporation	08/05/85
842 3097	Winkelman Stores, Inc.	08/08/85
832 3154	Intra-Medic Formulations, Inc., et al.	08/13/85
832 3237	Encore House, Inc., et al.	09/20/85
822 3072	Fidelity Acceptance Corp., et al.	09/30/85
822 3074	Allied Finance Co.	09/30/85
D.8960	National Talent Associates, Inc., et al.	10/02/85
842 3083	Unnamed Adoption Services (Bryan M. Hall)	10/21/85
842 3268	Hooker Homes, Inc (and Hooker Barnes Homes)	10/21/85
D.2151	Dixie Readers Service	11/14/85
842 3047	Strawbridge & Clothier	11/14/85
852 3002	Freeway Dodge, Inc.	11/18/85
852 3006	Hopkins Dodge Sales	11/18/85
842 3267	KRSS Development, Inc.	11/25/85
852 3263	American National Cellular	11/25/85
852 3008	Walser Motors, Inc.	12/04/85
842 3225	Technical Communications Industries, Inc.	12/20/85
832 3265	Thermo Products	01/16/86
832 3007	Cassette Library, Inc., et al	02/21/86
842 3239	Mesa Realty, Inc.	02/24/86
862 3006	The Cellular Corp., et al.	03/03/86
852 3014	Solar America, Inc.	03/28/86

SUBMITTED QUESTIONS

Senator BUMPERS. Thank you, Mr. Calvani. I have no further questions.

Mr. CALVANI. Yes, sir.

Senator BUMPERS. Thank you, Mr. Chairman.

Senator RUDMAN. We will keep the record open for 24 hours in the event that other members wish to have questions for the record. Senator Hollings, the ranking member, may have some.

In the meantime we do thank you for being with us today, Mr. Calvani.

Mr. CALVANI. Thank you, Mr. Chairman.

Senator BUMPERS. Thank you.

Mr. CALVANI. Mr. Chairman, we would be delighted to answer any questions. I very much enjoyed being with you here this morning.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR RUDMAN

AUTHORIZATION LEVEL

Question: Legislation to reauthorize the FTC has passed both Houses of Congress. The House bill sets a fiscal year 1987 appropriations ceiling of $64.2 million; the Senate level is $66.8 million with language to permit additional increases for employee compensation and benefits. Your 1987 budget request of $69,045,000 would exceed the ceilings contained in both bills.

-- Have you discussed this problem with the conferees?

-- Assuming the bill as finally enacted contains a ceiling below your 87 request, do you anticipate asking this Committee to exceed your authorization?

-- Finally, are you optimistic that the conferees will be able to resolve their differences and that we will actually see a reauthorization bill enacted this year?

Answer: We have discussed the appropriation ceilings with the conferees and hope to have these funding issues resolved shortly. At this time we are not certain what will be the final resolution of this matter. However, if the enacted bill does contain a ceiling below our fiscal 1987 request, the Commission will reevaluate its budget to determine whether to request your assistance to ensure adequate funding. The Commission fully supports its request of $69,045,000 and 1,154 workyears. More importantly, both the authorization and appropriation levels for fiscal 1987 assume a "straight-line" budget for the FTC; that is, there are no program-related increases sought. The difference between the amounts simply reflect increased costs the Commission is required to pay to maintain current service levels, particularly office space rent.

There are several developments which lead me to be optimistic that the Commission will be authorized in the not too distant future. First, for the first time in over six years, both Houses have adopted a reauthorization bill. Although the bills certainly have differences, they both represent sound and responsible policy directions for the Commission. While other Commissioners and I have strongly favored particular provisions in either the House or Senate bill, there is nothing in either that we could not live with. The diligent efforts on the part of the conferees and their staff give me hope we will soon see an authorization bill. Some difficult issues remain unresolved, but we have come a very long way.

SOUTHERN MOTOR CARRIERS

Question: The Senate Report accompanying the FY 1986 Appropriations Bill, (S. Rpt. 99-150), directed the FTC to review all pending cases where State action doctrine defenses have been raised and to move expeditiously to dismiss any cases rendered moot as a result of the Supreme Court's ruling in the case of Southern Motor Carriers Rate Conference, Inc. v. United States. How has the Commission complied with the Senate directive?

Answer: The Commission, like the Committee, has been sensitive to the implications of the Supreme Court's decision in Southern Motor Carriers Rate Conf., Inc., 105 S. Ct. 1721 (1985), for its pending adjudications. For example, shortly after the Supreme Court's decision the Commission dismissed the complaints in two trucking ratemaking cases upon complaint counsel's unopposed motions, noting that further prosecution of those matters did not appear to be in the public interest. See Mid-Atlantic Conference, FTC Docket No. 9185; Tristate Household Goods Tariff Conf., Inc., FTC Docket No. 9184. The Commission, of course, will take account of Southern Motor Carriers in other cases as they come before the Commission for its review.

FISHER v. CITY OF BERKELEY

Question: Does the recent Supreme Court ruling in the case of Fisher v. City of Berkeley, which gives cities broad power to regulate local businesses without being in violation of federal price-fixing laws, affect any on-going FTC enforcement actions?

Answer: The FTC has no cases pending against any cities at this time. In May 1984, the Commission issued administrative complaints against the cities of New Orleans and Minneapolis, charging that these municipal governments had combined with taxicab operators to increase fares, limit the number of taxicab licenses, and otherwise eliminate competition. Both of these cases were withdrawn prior to trial, after events subsequent to issuance of the complaints led the Commission to conclude that further proceedings would not serve the public interest. (Minneapolis amended its city code to allow, among other things, more taxicabs to be licensed, and the State of Louisiana adopted a statute specifically authorizing cities to regulate taxicab entry and fares.). The FTC has brought no other cases against municipal governments.

The Supreme Court's opinion in Fisher v. City of Berkeley does, of course, discuss a variety of general principles of antitrust law that may be relevant to any antitrust enforcement action, not just those challenging municipal conduct. As always, the Commission will be guided by the Court's statements.

1987 BUDGET LEVEL

Question: Your fiscal year 1987 budget requests the Committee to restore the FY 1986 Gramm-Rudman-Hollings reduction and uses the FY 1986 enacted appropriation as a base for 1987. The Senate Budget Resolution, which has been reported by the Budget Committee, assumes a freeze level for most of the programs under the jurisdiction of this Subcommittee.

-- What steps are you taking to identify areas that can be reduced in FY 1987 should the Committee be unable to approve the requested increase?

-- Your budget requests a 15% increase in travel and transportation of persons, from $950,000 to $1,090,000. Is this an area where we could find some savings?

Answer: The Commission has not addressed a possible $6.4 million reduction in its fiscal 1987 budget. The size of this cut, approximately 10 percent, would require most of the cut to come from reduced employment. We currently have severely limited hiring in Fiscal 1986 to meet the revised Fiscal 1986 levels and have looked at many areas for possible reductions. It is likely that a combination of program specific and across-the-board strategies will be used to meet Fiscal 1987 budget cuts.

While the travel budget increases in fiscal 1987, the increase is necessary to cover per diem rate increases scheduled by GSA to go into effect in fiscal 1986. The proposed level of travel for fiscal 1987 is the same as in fiscal 1986. The Commission has reduced its annual travel expenditures from $1.7 million in fiscal 1981 to approximately $1 million today. When price increases are considered, this account has been reduced by nearly 50 percent since fiscal 1981. Nevertheless, if a freeze is instituted in fiscal 1987, the agency's travel budget along with all its other accounts, will be closely reviewed to determine if any further reductions are possible.

SUPPORT REDUCTIONS

Question: Your fiscal year 1987 budget request represents a decrease of 14 workyears in support activities from the 1986 enacted level and indicates this will be achieved through increased staff effectiveness. Seven of these workyears are coming from the Office of General Counsel and are identified in your budget justification as being associated with a proposal to reduce or eliminate liaison activities with the small business community, Federal/State relations, participation in analysis and coordination of legislative matters, and responsiveness to the Commissioners and Bureaus for advice.

-- It appears that these reductions are actually attributable to a reduction in services. Is that correct?

-- Why are you proposing to reduce or eliminate what some would consider important liaison activities, particularly in the areas of small business and Federal/State relations?

-- Your Economic and Consumer Policy Analysis activity has a study planned for FY 1987 which will focus on the problems of small business. Wouldn't it be prudent to maintain your liaison activities with small business at least until this study has been completed?

Answer: The reduction of seven workyears in the Office of General Counsel may require a reduction in some services. Non-discretionary support, such as ensuring compliance with statutes including FOIA, Sunshine Act, Privacy Act, and Ethics in Government Act, and responding to federal court litigation will be maintained, although response times for internal matters could lengthen.

The Commission would maintain all essential liaison functions at the reduced level, although a recent special project to foster new liaison arrangments with participants in the White House Commission on Small Business would be concluded. Essential liaison contacts with small business and with federal and state law enforcers will be maintained by the operating bureaus and the Offices of the Commissioners, if resources in the General Counsel's office are not available for these activities.

As described, liaison activities will be continued. Maintenance of relationships with small businesses and their representatives are not dependent on the conduct or outcome of that study. The Commission will still be able to respond appropriately to any issues raised in the upcoming report.

INTERNATIONAL ANTITRUST

Question: What recourse does the Commission have against foreign firms that are engaging in anti-competitive activities which have been found to have a detrimental effect on U.S. domestic commerce and a negative impact on U.S. consumer prices?

Answer: The Commission has subject matter jurisdiction to investigate and take action against conduct of foreign firms which violates the antitrust laws and has sufficient effects in the United States, regardless of where that conduct occurs. The Commission's remedial powers against foreign firms are the same as those against domestic firms. As a practical matter, however, some remedies, such as collection of civil penalties, may be more difficult to enforce against foreign firms, but would pose no more difficulties for the Commission than for a federal district court.

The Federal Trade Commission has the authority to issue cease and desist orders against unfair methods of competition or unfair or deceptive acts or practices in or effecting commerce. 15 U.S.C. § 45(b). The penalty for violation of an order is $10,000 for each separate violation, although, as a practical matter, collection of civil penalties may be difficult or impossible if foreign firms do not have sufficient assets in the United States. The Commission must commence a civil action in federal district court to recover civil penalties. District courts are empowered to grant mandatory injunctions and other equitable relief as they deem appropriate to enforce Commission orders, 15 U.S.C. § 45(l) & (m).

The Commission may bring suit in any federal district court seeking an injunction, pending administrative litigation, whenever it has reason to believe that any person, partnership or corporation is violating or is about to violate any law enforced by the Commission. 15 U.S.C. § 53(b). Administrative litigation may result in a judgment and order. 15 U.S.C. § 45(b). If a case is settled, the Commission will issue a consent decree. These remedies are available and effective against foreign firms.

The Commission has used its remedial powers to order a domestic firm to dissolve its joint venture agreement with a foreign firm, sell its interest in a foreign firm, and remove its representatives from the board of a foreign firm. In the same case, the Commission prohibited both the domestic and the foreign firm from acquiring, without the Commission's prior approval, any interest in a company manufacturing, distributing, or selling outboard motors in or for the United States. See, Brunswick Corp., 96 F.T.C. 151 (August 14, 1980). Thus, Commission orders do reach, in appropriate circumstances, the conduct of foreign firms, even when such conduct occurs aboard.

The Commission has issued a consent order requiring a foreign (Japanese) corporation to divest itself of the "Arizona Division" of a Canadian corporation which it intended to acquire. The Arizona Division included assets located in two different states in the United States, as well as in Nogales, Mexico. See Murata Manufacturing Co., 96 F.T.C. 1116 (December 16, 1980). Thus, the Commission not only can order domestic corporations to perform or refrain from performing acts in the United States and abroad, or foreign corporations to perform or refrain from performing acts in the United States, but also order foreign corporations to perform acts abroad.

OFFICE OF THE SECRETARY

Question: The FY 1987 budget request for the Office of the Secretary assumes a 10-day turn-around time for the preparation of minutes of Commission actions. This is twice as long as you projected for FY 1986. Do you anticipate this will have any adverse impact on the operations of the Commission?

Answer: No. The minutes are historical in nature, and primarily aid research. Implementation of the Commission's decisions and the issuance of official documents are not delayed by an increase in the length of time taken to prepare minutes.

In the past two years, the installation of the OSCAR computer system in the Minutes Branch of the Office of the Secretary has enabled the OS to increase the quality of its service to the Commission despite annual budget cutbacks. The reductions slated for FY 1987 will require a reduction in the level of service provided. The delivery of draft minutes for the review and approval of the Commissioners will be given less emphasis so that higher priority projects can be maintained. Notable among them is the extension of the computer system into the Records Division. The services provided by that Division must be timely in order to avoid a substantial adverse impact on the Commission and the public. Thus preserving the resources needed to complete that project is a higher priority than preparing minutes quickly.

ADMINISTRATIVE LAW JUDGES

Question: For FY 1987, you propose level funding for the Office of Administrative Law Judges. Since this is a function over which the Commission has no control, do you project no increase in the number of cases brought before the Administrative Law Judges in FY 1987?

Answer: The Office of Administrative Law Judges' caseload activity is projected to remain stable between fiscal years. If there is a significant increase in caseloads, there would be an increase in the time a matter would be before an Administrative Law Judge. If it becomes a severe problem, we would explore, with the Chief Administrative Law Judge, alternative solutions.

CONSUMER PROTECTION ENFORCEMENT

Question: How many enforcement actions were brought during Fiscal Year 1985 in the Consumer Protection Mission?

Answer: Sixty enforcement actions were brought by the Consumer Protection Mission in Fiscal Year 1985. We have attached a detailed case listing.

Question: Was this an increase or decrease from the previous fiscal year?

Answer: The number of enforcement actions brought in Fiscal Year 1985 is equal to the number of enforcement actions brought in Fiscal Year 1984.

Question: How many enforcement actions do you anticipate bringing during FY 1986, FY 1987?

Answer: Current funding allows the Consumer Protection Mission to adequately enforce laws and protect consumers. Based on the number of actions brought through midyear FY 1986, we expect to meet or exceed sixty enforcement actions this fiscal year. The resources included in the FY 1987 planning budget will permit us to continue our strong enforcement presence.

FY85 CONSUMER PROTECTION ACCOMPLISHMENTS

Part II Final Consent Agreements		FINAL ACCEPTANCE
C-3144	Thomas A. Dardas, Indv. & As An Officer Of Acu-Form Weight Control Centers, Inc.	10/01/84
C-3145	Sun Refining and Marketing Company	10/11/84
C-3146	Hospital and Health Services Credit Union	10/17/84
C-3148	Biopractic Group, Inc.	12/12/84
C-3149	Charles E. Weller, indiv. and as a former officer of Alaska Land Leasing, Inc. (Consumer Redress)	12/24/84
C-3150	Sentronic Controls Corporation, et al.	02/21/85
C-3151	Commodore Business Machines, Inc.	03/22/85
C-3152	Descent Control, Inc.	04/29/85
C-3153	Associated Dry Goods, Corp.	05/06/85
C-3154	Young & Rubicam/Zemp, Inc.	05/10/85
C-3155	The Korman Corporation (Consumer Redress)	06/12/85
C-3156	Craftmatic Comfort Mfg. Corp., et al.	06/13/85
C-3160	Wein Products, Inc., et al.	08/13/85
C-3161	Montana Board of Optometrists	08/29/85
C-3165	Trans Continental Industries (Treadwell)	09/23/85
C-3169	American Society of Sanitary Engineering	10/03/85
		(15)

District Court Consent Agreements		ENTERED
792 3210	Hosiery Corporation of America, et al.	02/14/85
		(1)

Part III Final Consent Agreements		FINAL ACCEPTANCE
D.9160	Ward Corporation, et al. (Consumer Redress)	04/05/85
D.9167	Rush-Hampton Industries, Inc.	04/29/85
D.9173	P. Leiner Nutritional Products, Corp.	05/03/85
D.9169	Associated Mills, Inc.	07/23/85
D.9134	Porter Realty, Inc., et al. (SW Sunsites)	08/09/85
D.9194	Dr. Barry Bricklin (Buckingham Productions)	09/20/85
		(6)

Part III Complaints		ISSUED
D.9194	Buckingham Productions, Inc., et al.	06/24/85
D.9197	Meadow Fresh Farms, Inc., et al. (Roy Brog)	09/10/85
D.9200	Removatron International Corp.	09/30/85
		(3)

Civil Penalty Judgments		JUDGMENT ENTERED
822 3162	Me-Books Publishing Co.	03/20/85
D.8862	Brooks Rent-A-Car	03/25/85
792 3108	JS & A Group, Inc., et al.	03/28/85
812 3142	Enamelcraft, Inc., et al. (Starmakers)	04/29/85
842 3238	Nash Phillips/Copus, Inc.	06/24/85
832 3163	Royco Automobile Parts, Inc., et al. (Consumer Redress)	07/17/85
842 3097	Winkelman Stores, Inc.	08/08/85
832 3063	Federal Energy Systems, Inc. (Con. Redress)	09/18/85
832 3237	Encore House, Inc., et al. (Con. Redress)	09/20/85
822 3072	Fidelity Acceptance Corp., et al.	09/30/85
822 3074	Allied Finance Co.	09/30/85
		(11)

Consumer Redress		ORDERED
842 3259	U.S. Oil & Gas Corp., et al. (Rotberg)	10/03/84
842 3259	U.S. Oil & Gas Corp., et al. (M. Sand)	01/15/85
842 3256	J & R Marketing Corp.	05/10/85
802 3222	Pardise Palms Vacation Club, et al. (Weiswasser)	05/17/85
832 3000	Kitco of Nevada, Inc., et al. (Snelling, Farkas, Jesinoski)	06/12/85
832 3206	Kimberly International Gem Corp., et al.	08/27/85
		(6)

Civil Actions Filed in District Court & Not Yet Final		FILED
832 3014	Phillipe LaFrance/U.S.A., Ltd., et al.	01/07/85
842 3112	Liquid Assets (William D. Jones)	01/10/85
812 3222	Evans Products Company, et al.	01/11/85
842 3083	Unnamed Providers of Adoption Services (Kelley, Tanner, Hall)	02/14/85
832 3192	Certified Security Systems	03/06/85
842 3038	Nationwide Mortgage Corporation, et al.	03/26/85
832 3061	Tuff Tire Industries, Inc., et al.	04/29/85
832 3148	Control Technology, Inc., et al.	06/28/85
842 3021	Trans-Alaska Energy Corporation, et al. (Swain, Nissen)	07/02/85
832 3238	Del Monte Corporation	08/05/85
832 3154	Intra-Medic Formulations, Inc., et al.	08/13/85
		(11)

Permanent Injunctions		ORDERED
832 3243	A & A Laboratories, et al. (Furman)	01/30/85
		(1)

Initial Decisions		ISSUED
D.9166	Figgie International, Inc.	10/23/84
D.9176	Orkin Exterminating Co., Inc.	04/22/85
		(2)

Final Commission Orders		ISSUED
D.9149	Thompson Medical Company, Inc.	11/23/84
D.9147	International Harvester Company	12/21/84
D.9134	Southwest Sunsites, Inc., et al.	01/15/85
		(3)

Rulemaking and Statute Activity		ACTION TAKEN
R511021	Used Car Rule: Commission approved final rule.	11/84
		(1)

HORIZONTAL RESTRAINTS

Question: Your Budget justification indicates the Horizontal Restraints Program will receive a "significantly increased resource allocation" in FY 1986 and FY 1987. What new activities are planned as a result of this enhancement?

Answer: The Commission's Horizontal Restraints Program seeks to identify and challenge restraints on competition that stem from collusion or other interdependent courses of action among competitors. This program includes antitrust investigations and litigation conducted by a number of the Commission's litigation divisions within the Bureau of Competition, and by all of the agency's ten regional offices. The increased resource allocation reflects a significant increase in the number of potentially anticompetitive collusive arrangements among competitors that have been identified as warranting close investigative scrutiny. The resources required to conduct this larger number of "full phase" antitrust investigations has increased correspondingly. Further, a significant portion of the Commission's Horizontal Restraints Program continues to focus upon restraints adopted by groups of competing professionals in a variety of non-health care fields. (A separate program embraces restraints among competitors in the health care sector.) The Commission's growing attention to this area reflects the continued general shift in the economy toward service industries.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

TEXTILE LABELING

Question: In 1984, the Congress passed amendments to the Textile Fiber Products Identification Act and the Wool Products Labeling Act of 1939. These amendments required a "Made in U.S.A." label for American-made goods. There have been allegations that garments are being labeled "Made in U.S.A.," but are really imported garments. There have also been press reports of other irregularities concerning labeling under these acts.

a. How much resources does the Commission allocate to investigations and prosecution of mislabeled textile products?

b. How many cases of mislabeling has the FTC identified since 1984?

c. Can we expect vigorous oversight by the FTC of this program; and prosecution, where warranted?

Answer: a. The Commission has allocated one (1) work year for the investigation and prosecution of mislabeled textile products.

b. The Commission has not received information that U.S. manufacturers are mislabeling or failing to label the origin of their products. No complaints have been issued on this matter. Over the past four or five months, U.S. Customs inspectors have stopped several shipments of textile goods that were labeled only on the packaging and not on each textile product as required under the amended Acts. These goods have been denied entry until they were properly labeled. The Commission's staff has been monitoring mail order catalogs and mail order promotional materials. When appropriate, they have notified several large as well as small firms of the new requirements to include country of origin in the description of each textile product. These companies have, after the notice, brought their advertising into compliance. The Commission has not received any evidence indicating that there are some importers deliberately mislabeling imported goods as having been made in the United States. We understand, however, that the U.S. Customs Service, which also has jurisdiction over this matter, has received some complaints about such mislabeling. We will, of course, provide the Customs Service with appropriate assistance if requested. Further, in the event the Commission directly receives reports of alleged mislabeling we will coordinate our investigating efforts with the Customs Service.

c. It is the Commission's intention to continue vigorous oversight of this program and to prosecute when warranted.

COMMISSION INDEPENDENCE

Question: The constitutionality of independent agencies has recently been questioned. In a speech last year, Attorney General Meese commented that agencies with enforcement powers are, properly, part of the Executive Branch and not independent.

What is your view of the constitutionality and independence of agencies such as FTC?

Answer: The FTC Act gives the Commission certain law enforcement functions and at the same time provides that its members may not be removed by the President except for specified causes. This framework, which is a common model for many federal agencies, was upheld by the Supreme Court in Humphrey's Executor v. United States, 295 U.S. 602 (1935), against the Solicitor General's claim that it unconstitutionally infringes upon the President's constitutional obligation to take care that the laws be faithfully executed. That decision has never been overruled or called into question by the Supreme Court and we see no basis for believing the Court would today overrule it.

A recent and more extensive discussion of the Humphrey decision, its historical antecedents, and the Take Care Clause of Article II of the Constitution, are contained in a brief filed by the Commission on March 31, 1986, with the United States District Court for the Southern District of Florida in FTC v. U.S. Oil and Gas Corporation, et al., No. 83-1702-Civ (Hoeveler, J.). A copy of the brief has been provided to Subcommittee staff.

ANTITRUST AND DECLINING INDUSTRIES

Question: The Secretary of Commerce and the Attorney General have proposed relaxation of the antitrust laws due to concern over declining industries.

In October of 1985 a report was issued by the Bureau of Economics of the Federal Trade Commission entitled "Antitrust Policy for Declining Industries." This report concluded that current merger law acknowledges foreign competition. It also concluded that U.S. antimerger laws and horizontal merger guidelines need not be altered for declining industries as current antitrust policy is flexible enough to allow consideration of the efficiency gains that might occur as a result of mergers.

The report further concluded that a general policy to liberalize antitrust laws would be ill-advised and that mergers allowed under such a liberalization would not increase employment or improve the balance of payments.

What is your opinion of the conclusion of this report?

Answer: The Bureau of Economics Report, "Antitrust Policy for Declining Industries," focussed on the need for a special exemption from the antitrust laws for industries subject to decline. The Commission has in the past correctly taken the position that special antitrust exemptions are often inappropriate. I concur in that belief. Based on the information before me to date, I support the conclusion of the Report that current merger policy is flexible enough to consider the efficiencies likely to be gained by mergers.

Given that the report searched for (but failed to find) convincing evidence that mergers in declining industries were more efficient than mergers generally, a special exemption for declining industries would appear unnecessary. In addition, it seems clear that allowing anticompetitive mergers will not make U.S. firms less susceptible to foreign competition. Rather, mergers that raise domestic prices and reduce output are likely to weaken those firms' ability to effectively compete. It is important to note that the Report did not address several broader issues of current policy concern: 1) whether codification of current policy is useful, or 2) whether the specific level of current antitrust enforcement is optimal. Moreover, before taking a final position on proposals to modify aspects of the antitrust laws, I would want to review carefully all of the available evidence.

LINE OF BUSINESS RESEARCH

Question: At what level will Line of Business staff be maintained this fiscal year and in fiscal 1987.

Answer: The budget submitted to Congress anticipated no changes for either 1986 or 1987 in the size of the staff doing research with the Line of Business data. Like most functions throughout the Commission, however, Line of Business research has been affected by the actions necessary to meet the Gramm-Rudman-Hollings reductions for 1986. Two temporary employees working with the Line of Business data were released earlier than had originally been planned. In addition an accountant was transferred to another organization, and expenditures for consultants have been curbed. Because hiring has been sharply curtailed throughout the Commission, attrition will necessitate some further transfers of personnel if we are to preserve economic support to law enforcement activities. Plans for such transfers are currently being finalized. Under all foreseeable circumstances, however, we plan to maintain the staff working with LB data at a level sufficient to allow the completion of ongoing projects by outside researchers. In addition we plan for our own LB research to continue with a limited number of projects relevant to the mission of the agency.

Question: Is it possible for outside researchers to use this data without the aid of professional FTC staff?

Answer: The LB data set is both large and complex. Without the assistance of staff intimately familiar with the data set, outside researchers would at present be unable to work with the numerous files. We are, however, attempting to remedy this. We have recently undertaken a project to document thoroughly the data set, and we anticipate that the most critical elements of that project should be completed within a year.

FTC FUNDING LEVELS

Question: The FTC Authorization Bill (S. 1078) is finally in conference and we expect to work out a final bill momentarily. S. 1078 provides authorization for the appropriation of $66,800,000 in 1987, while the House of Representatives approved $64,200,000 in their version.

The Commission's 1987 request totals $69,045,000, which is currently more than either body authorized. Please outline what adjustments would be necessary to reduce you request to the Senate authorization level, and the further reductions required if we end up at the House level.

Answer: The amounts contained in the pending House and Senate authorization bills were developed last year and do not reflect current estimates. More importantly, both the authorization and appropriation levels for Fiscal 1987 assume a "straight-line" budget for the FTC; that is, there are no program-related increases sought. The difference between the amounts simply reflect increased costs the Commission is required to pay to maintain current service levels, particularly office space rent. We have informed the conferees of these facts and are hopeful of a satisfactory resolution.

If the proposed Senate authorization level was enacted, it would mean a reduction of $2.3 million from our fiscal 1987 request. Because most of our funds are devoted to salaries and benefits, the reduction would cause our funded workyears to drop by 60, from 1,154 to 1,094, a reduction of more than 5 percent. If the House authorization level was enacted, it would mean a reduction of $4.9 million or 120 workyears, a reduction of more than 10 percent.

Question: Am I correct that FTC's budget for 1987 assumes restoration of the $2,817,000 sequestered in 1986 pursuant to Public Law 99-177, the Balanced Budget and Emergency Deficit Control Act? How are we going to get our deficit under control if we add back to each agencies appropriation the 4.3% reduction they took in 1986?

Answer: We understand that the President's total budget request for fiscal 1987, of which our request of $69,045,000 is a part, meets the proposed deficit target under Public Law 99-177. The President and the Commission feel that the request for fiscal 1987 represents the best balance between meeting our mandated enforcement responsibilities and in helping to reduce the government-wide deficit.

Question: For fiscal 1987 you are requesting $1,461,000 for "funding inflationary price increases." In his message transmitting the 1987 budget, President Reagan boasted that inflation has averaged only 3.8% during the last three years.

Why do you want to undo his good work by budgeting for inflation.

Answer: The Commission request for $1.461 million for inflationary price increases is consistent with the President's program. The $1.461 million represents an inflation increase of only 2.5 percent of the fiscal 1986 base when the agency's space rent account is excluded from the calculation. These uncontrollable cost increases are required by law and include such items as annual merit pay increases for GM-13 and above employees, as well as increased per diem and other known rate increases. If these funds are not provided, the Commission would be forced to reduce its funded workyears by approximately 30. By funding these increases, we are recognizing legitimate price changes but at a lower inflationary rate than in previous years.

U.S. ARMS CONTROL AND DISARMAMENT AGENCY

STATEMENT OF KENNETH L. ADELMAN, DIRECTOR, U.S. ARMS CONTROL AND DISARMAMENT AGENCY

ACCOMPANIED BY:
WILLIAM MONTGOMERY, DIRECTOR OF ADMINISTRATION
WILLIAM S.S. AMOROSO, BUDGET AND ACCOUNTING OFFICER
ALISON FORTIER, DIRECTOR OF CONGRESSIONAL AFFAIRS

BUDGET REQUEST

Senator RUDMAN. We are going to do things slightly out of order this morning because of some scheduling problems.

Our next witness this morning is Mr. Kenneth Adelman, Director of the Arms Control and Disarmament Agency.

The budget request is for $31 million, an increase of $6.3 million over the Gramm-Rudman-Hollings level.

We do welcome you to our hearing this morning. You may summarize your statement. It will appear in the record in full and you may introduce those persons who are with you this morning.

Mr. ADELMAN. OK. Let me do that.

I have Bill Montgomery, who is in charge of our administration, Bill Amoroso and Alison Fortier. They are the brains of this outfit in case you were wondering where the brains resided.

Our budget, Mr. Chairman, has been submitted. Since I have been sworn in as the Director of ACDA, the President has really strengthened the Agency enormously with the budget up some 60 percent and with the number of employees up considerably and the level of our assistant directors up to the assistant secretary level. We have really had a tremendous boost. I think that shows the concern of the President on arms control and for a sound arms control agreement. I am happy that the Arms Control Agency has done so well.

Now even though we will take hits under this legislation, the Gramm-Hollings legislation, I believe it is, that we will manage.

Senator RUDMAN. Senator Hollings calls it Gramm-Kennedy.

Mr. ADELMAN. Under Gramm-Hollings we have to cut somewhere in the title, you know. Everything has to be cut some. On the legislation we will take some hits. We will just do the best that we can.

Thank you, Mr. Chairman.

Senator RUDMAN. We will have a number of questions for the record.

Mr. ADELMAN. Yes.

Senator RUDMAN. Let me now just ask you a couple of questions.

Mr. ADELMAN. Yes.

Senator RUDMAN. I would just like to talk about some issues that really are of concern to many members of the committee.

Mr. ADELMAN. Yes.

COMPLIANCE REPORT

Senator RUDMAN. You had issued a report saying that the Soviet Union had violated the SALT I ABM Treaty and Interim Agreement, the Geneva protocol on chemical weapons, the Biological and Toxic Weapons Convention, the Limited Test Ban Treaty; also the Helsinki Final Act and the unratified SALT II Treaty.

Mr. ADELMAN. Yes.

Senator RUDMAN. You commented that unilateral compliance "constitutes a dangerous form of unilateral disarmament in the guise of bilateral arms control."

You seem to be suggesting that unless Soviet compliance increases, it is useless and indeed dangerous to continue to adhere strictly to our treaty commitments.

Mr. ADELMAN. Yes.

Senator RUDMAN. Could you comment generally on that, please?

Mr. ADELMAN. Yes; I think that's right. I think that arms control must involve compliance on both sides or it is meaningless.

If you go back to the same dealer in the United States for a car and if he does not keep his side of the contract time and time again, then you give him the benefit of the doubt at first, but after a while it becomes pointless to do that.

Now there is an old saying "Fool me once, shame on you. Fool me twice, shame on me."

Senator BUMPERS. You got it right. You stumbled but you got it right.

Mr. ADELMAN. Thank you.

Senator BUMPERS. You got it right.

Mr. ADELMAN. I always like to have reinforcement from my friends.

Senator RUDMAN. This is a very informal committee.

Mr. ADELMAN. Senator Bumpers and I agree on most arms control issues. So he is just reinforcing this.

Senator BUMPERS. Let me tell you about the swamp that I have got down in Florida.

Senator RUDMAN. Go ahead.

Mr. ADELMAN. Anyway, you have had Soviet violations. The question comes up on an issue like SALT II whether we should continue to entirely comply with the treaty that the Soviets are violating and that the administration thought was fatally flawed and that the Senate never ratified and would have expired anyway.

I think that you have the problem of credibility in this whole operation.

Senator RUDMAN. In the last few days we heard reports indicating that possibly two of the Poseidons might be dry-docked. There are other reports that there might be more modifications on the B–52. This is not really known.

Are these part of what is being considered as being an appropriate response?

Mr. ADELMAN. There are four considerations, Senator, to this that are underway.

One is what to do about the policy toward SALT II itself, the interim restrained policy. Keep it, scrap it or change it.

Second, it is whether to substitute an interim restrained policy not tied to SALT II until we get an agreement.

Third, the military options in terms of SALT II that would exceed the limits.

Fourth, military options that would not exceed the limits of SALT II. They would come outside of it.

All of those are before the President. We have had many meetings at the White House. This is a very significant issue, Mr. Chairman.

One of the issues that some Senators may bring up is that SALT constrains the Soviets regardless of their violations.

I think that we have made tremendous progress in the last 5 years highlighting Soviet violations and making the point that it is untenable for the future of arms control if the Soviets violate everything in sight.

ABM TREATY

Senator RUDMAN. Let me talk about the ABM Treaty. It is something that is held in very high regard by many here in the Senate and I guess in the country, and I think with good reason generally.

Lately there have been some newspaper reports that the Soviet Union is calibrating its air defense radars with its ABM radars, creating essentially a territorial ABM system. In other words, a battle control net.

Are these reports true? If you are at liberty to say so this morning, fine. If you are not, we do understand that.

Mr. ADELMAN. Let me just say that we have had fears over the years, especially since the Krasnoyarsk radar was found 3 years ago, that the Soviets are positioning themselves for a breakout on the ABM and to have a nationwide defense. Those fears continue in the administration.

Now they were triggered or reinforced by the Krasnoyarsk radar. This was unmistakably a violation.

The treaty or the law says that you have to have a radar of that type on the periphery facing outward. Krasnoyarsk is 400 kilometers from the Mongolian border and 4,000 kilometers from the border it is facing. It is absolutely clear that the Soviets started construction of that in the same decade that they signed the ABM Treaty. It is absolutely clear that they had to expect that we would find it because it is several football fields large. One of the buildings is 27 stories high. It is absolutely clear that we would have to find it as being a violation. There is no way to justify that.

This fits into the pattern that we are concerned about as to a territorial defense in the future.

BUDGET REQUEST

Senator RUDMAN. Let me ask you a strictly budgetary question.

Mr. ADELMAN. Yes.

Senator RUDMAN. The Senate Budget Committee has, I'm sure you know, reported a budget resolution that assumes a freeze level for most of the programs in the Government.

Mr. ADELMAN. Yes.

Senator RUDMAN. For Arms Control and Disarmament Agency that would mean a $25 million budget in 1987.

Could you tell us what impact that would have on your operations?

Mr. ADELMAN. Yes.

Senator RUDMAN. Or if you would want to answer that in detail for the record.

Mr. ADELMAN. Let's do that.

Senator RUDMAN. You could comment generally on it.

Mr. ADELMAN. We would be happy to do it for the record.

Mr. MONTGOMERY. Yes; we would be happy to do that for the record.

[The information follows:]

IMPACT OF BUDGET FREEZE ON DEPARTMENT OPERATIONS

As in fiscal year 1986, ACDA would have to tighten even further the administrative controls for all expenditures. We would have to continue reducing the external research, travel, and per diem in order to maintain our current staffing level, which this administration and the Congress has strengthened to assist ACDA with its arms control mission.

CONTINUING PROGRAMS

Mr. MONTGOMERY. However, for our continuing programs, our 1987 request is $25,750,000. There is a $5,250,000 amount for a program that is normally run by the DOE.

Senator RUDMAN. We are aware of that.

Mr. MONTGOMERY. Yes.

Mr. ADELMAN. We think that we can run our programs effectively at the $25 million figure.

Senator RUDMAN. Your sequestration, and I have a hard time with that word——

Mr. ADELMAN. Where did you come up with that word, Mr. Chairman?

Senator RUDMAN. You'll have to ask Senator Gramm.

The figure for you is $1.1 million. This was for fiscal year 1986.

How are you accommodating this decrease?

Mr. MONTGOMERY. Mr. Chairman.

Senator RUDMAN. Mr. Montgomery.

Mr. MONTGOMERY. We accommodated that cut by looking at all of our accounts. We have administrative controls, or have instituted administrative controls across the board' This is so that no one single program is severely affected here, Mr. Chairman.

Senator RUDMAN. Will you be able to accommodate it, Mr. Montgomery?

Mr. MONTGOMERY. We believe that we can. We will be taking small amounts out of a large amount of accounts.

Mr. ADELMAN. Among other things, we cut Senator Tower from the payroll. That was a saving.

Mr. MONTGOMERY. We have one unknown. That is the dollar versus the Swiss franc. We were having a real tough time with the devaluation of the dollar with our Geneva expenses, which are substantial.

Senator RUDMAN. Yes.

Senator BUMPERS. You should have come and asked for a reduction when the dollar was so strong.

Mr. ADELMAN. I agree with you. It is always bad news in overseas living when the dollar is weak. When the dollar is strong everybody keeps quiet.

Senator RUDMAN. We have a special problem with the Board for International Broadcasting which we are going to have to address. They have a real problem. I don't recall the number there.

Mr. ADELMAN. In Munich?

Senator RUDMAN. About 80 percent of their budget consists of Deutsch marks. I think that they are off something like $20 million. We do understand the currency problem. It is something that we will have to address.

Mr. MONTGOMERY. Yes.

Mr. ADELMAN. Yes.

Senator RUDMAN. Senator Bumpers.

Senator BUMPERS. Well, as a preliminary question, does ACDA furnish the money for the Geneva negotiations?

Mr. ADELMAN. Yes; all of it.

Senator BUMPERS. It pays John Tower's salary?

Mr. ADELMAN. Yes.

Senator BUMPERS. Let me ask you a series of questions regarding where we are on arms control.

Mr. ADELMAN. Yes.

INTERIM RESTRAINT

Senator BUMPERS. You saw this story in yesterday morning's Post. I assume that you are part of the team at the White House making recommendations to the President. What are you going to recommend on whether we are going to dry-dock the two Poseidon submarines or whether we are going to chop them up?

Mr. ADELMAN. I am not going to, nor would you expect me to, Senator, reveal exactly what my recommendation is to the President.

I think it is fair to say that we have had many meetings with the President on this. They are to go over a lot of the points that are usually made in this regard.

One point is that SALT II has been constraining the Soviet forces. I think that when you look at the record since signing SALT II the Soviets have added 4,500 ballistic missile warheads. They have added three new ICBM's. They have had two new SLBM's. They have had two new bombers. They have doubled the number of their bomber weapons.

We now project that the Soviet forces even within terms of SALT II can have 15,000 to 17,000 ballistic missile warheads in their arsenal. We predict that over the next 10 years regardless of what happens to SALT II the Soviets will modernize their entire ICBM force and their entire ballistic missile warhead force.

So you are going to ask how much restrain has there been on the Soviet side? The Soviets are building up their forces, their strategic forces now and they will in the next 10 years by 5 to 7 percent, which is an awesome amount.

Senator BUMPERS. How much have we spent on our strategic modernization since SALT II was signed?

Mr. ADELMAN. How much have we spent?

Senator BUMPERS. Yes.

Mr. ADELMAN. I don't know. I would have to supply that to you for the record.

Senator BUMPERS. We have got the Trident. We have got the Trident submarine and the D–5 missile.

Mr. ADELMAN. On the Trident; yes.

Senator BUMPERS. We have the D–5 coming on. We have the Midgetman.

Mr. ADELMAN. Midgetman is in the future.

Senator BUMPERS. We have two bombers, one that is in production.

Mr. ADELMAN. The B–1.

Senator BUMPERS. Yes. We have retrofitted 110 of the B–52's with cruise missiles. We have deployed the Pershing and cruise missiles both.

Mr. ADELMAN. Yes.

Senator BUMPERS. It is a two-edged sword, Ken.

Mr. ADELMAN. Right. I am saying that the Soviets have done a lot more since signing SALT II.

Senator BUMPERS. How many warheads have we added since SALT II was signed?

Mr. ADELMAN. About 4,000, something like that.

Senator BUMPERS. Why is their 4,000 worse than our 4,000?

Mr. ADELMAN. The point is not that their 4,000 is worse than our 4,000. The point is the argument that SALT II has been restraining or constraining the Soviet forces or our own forces, that I don't believe this is an accurate description, Senator.

Senator BUMPERS. Why would the Defense Department put a statement like this in. It says, "In accordance with the SALT I Interim Agreement the Soviets have, since 1978, removed 14 Yankee–1 units from service as ballistic missile submarines. These missiles had to be removed as newer submarines were brought into their force."

As a matter of fact, they have scrapped over 500 systems in order to stay in compliance with the Interim Agreement and SALT II, and we have scrapped 16.

Now why hasn't that been a good deal for us?

Mr. ADELMAN. Because, Senator, you are confusing two things.

One of them is that under the terms of SALT I or under SALT II, they have scrapped there programs. That I do agree with.

It is a separate thing to say because of SALT I and SALT II that they scrapped these programs.

The fact is that the Soviet military modernizes its forces across the board. They take their old tanks and they dismantle them. They take their old planes and they dismantle them.

Let me use one example so that you will readily understand this.

In the early sixties the Soviets had 800 SS–4's and SS–5's. These were missiles targeted against Western Europe. The SS–4's and SS–5's, let me remind you, are the type of missiles that Khrushchev had tried to sneak into Cuba. That prompted the Cuban missile crisis. They scared the dickens out of us when they were in Cuba.

Anyway, they came along in the mid-seventies and they built the SS–20's. What did they do? They took down the SS–4's and SS–5's by 80 to 200 a year. They didn't do that because we had an the agreement. They did that because they had a new system that was coming along.

Now on the Yankee-class submarines, they had the old submarines which they cut up. Some of the submarines that they cut up, they did the following to. They cut them up according to SCC regulations to take them out of the SALT accountable rules. They then take the missiles out.

What did they do with those submarines? They stuffed them with SLCM's. They then put them out to sea.

Now is that any less threat against the United States than it was in having the SLBM's? No; it is not.

Senator BUMPERS. Are those nuclear-tipped weapons?

Mr. ADELMAN. They are.

What they do is that they keep the threat against the United States and wipe the board of the SALT numbers.

Senator BUMPERS. How many submarines, how many Yankees have been converted to the SLCM configuration?

Mr. ADELMAN. At least one.

Senator BUMPERS. Now, Ken, in all fairness, you make that sound as if they are taking all of those Yankees and there is only one that has been converted.

Mr. ADELMAN. But there is other information that this kind of program is continuing.

Senator BUMPERS. What they are doing is exactly what they are required to do and what we are required to do.

Mr. ADELMAN. That's right. I am not saying that they are violating this.

Senator BUMPERS. The reason that we are dismantling the Poseidons is to stay within the 1,200-MIRV missile limit of SALT II.

Mr. ADELMAN. Yes.

Senator BUMPERS. The reason that they are taking the Yankee submarines out as they bring on their new systems is to stay within that 1,200-MIRV limit.

Mr. ADELMAN. That may be true.

Senator BUMPERS. And they are within the limit.

Mr. Alderman. That may be true and that may not also be true.

I'm saying that when you look at their forces if you took away the constraints of SALT II would they be doing anything different in their dismantlement program? I don't know the answer to that. You don't know the answer to that.

My guess is, however, in looking at the Soviet dismantlement and at other areas, that the answer to that question is no, Senator.

Senator BUMPERS. What do you think of the response of about 10 Senators, almost all of whom sit on the opposite side of the aisle from me, would be if the Soviets said, "We are going to drydock a couple of Yankees, that we are going to take the missiles out of them and drydock them. Then we will be in compliance."

Mr. ADELMAN. Some of the Senators would say that is a lot more honest than just violating the treaty without notifying us about it.

Senator BUMPERS. You don't think that Senator Symms, for example, would say that would be perfectly permissible?

Mr. ADELMAN. I cannot speak for Senator Symms. I have enough trouble in speaking for the administration.

The point is, Senator, is it better to say that under a restraint like SALT II that is not ratified by the Senate that it is Presidential policy, and is it better to say that we are not going to abide by certain parts of SALT I or SALT II any longer and announce it rather than what the Soviets are doing, saying that they are in complete compliance with SALT II and cheat on it?

We are never going to be in the situation of cheating on it.

Senator BUMPERS. If we drydock or if we equip more B-52 bombers with cruise missiles and go above the SALT II limits, then all bets are off.

The SALT I and II Treaties are the only thing that we have that constrains us or the Soviet Union. If we bust out of it, as I have this nagging fear that we are about to do, then there is not one constraint left in the nuclear arms race.

Second, when we ask ACDA for a report on Soviet arms control compliance we always get a list of the violations. I want that. We have to have that. Senator Rudman and I can't act without that kind of information. But that is all that we ever get. We never get what they may be doing to stay in compliance. We need the both of them. We need a progress report on what the status of the SCC is as to these violations.

I am not naive. My God, I know that Krasnoyarsk is a violation. I know that the the SS-25 is in violation. And there may be others. I don't know.

We have to have this information. By the same token, my concern about our not breaking out of the SALT II limits is based on one thing. That is that both sides have continued to comply with numerical limits. I think that is good for civilization.

Mr. ADELMAN. May I respond?

Senator BUMPERS. Absolutely.

Chairman RUDMAN. Go ahead.

SOVIET NONCOMPLIANCE

Mr. ADELMAN. It is not true that both sides have now responded to the numerical limits. It is just not true, Senator.

Senator BUMPERS. Where are they in violation?

Mr. ADELMAN. On the SMDV limits. We have found that the limit should be 2,504 for strategic nuclear delivery vehicles. There was not one agency in the U.S. Government as much as or who did not think that the Soviets were in violation of that SMDV number.

Now, I'll admit to you that this is not by a large amount that they are in violation. But it would not be by a large amount if we kept the subs at sea. In fact, the amount of the SMDV violations, the numbers that we would be over if we kept the two subs at sea, this is about exactly the same that the Soviets are over the SMDV numbers today. You are talking about 25 to 30.

So, Senator, you just can't have it both ways. I know that you wouldn't want to.

Senator BUMPERS. I don't want it both ways.

Mr. ADELMAN. To say that it is a horrendous thing if the United States violates this or these numbers by so much and it is insignificant if the Soviets do it——

Senator BUMPERS. Excuse me.

Mr. ADELMAN. Yes.

Senator BUMPERS. Is this matter before the SCC?

Mr. ADELMAN. Yes; absolutely.

Senator BUMPERS. How long have we known that?

Mr. ADELMAN. Oh, I'll bet about a year. We go back and back. We are meeting on it today. We are meeting on this constantly. We have an unclassified report that the chairman was nice enough to refer to that, goes into what the Soviet explanations on that are.

Let me also make the point, Senator, if I may, that you are right, that the Soviets are complying with many provisions of SALT II and other things.

It is virtually impossible for any American to violate all of the laws in any field. It is like saying that Al Capone did not violate all the laws that there were. Well, that is true. Al Capone did not. It's humanly impossible. It is humanly impossible for any company to violate all of the tax laws.

Senator BUMPERS. Some try.

Mr. ADELMAN. Yes.

Senator RUDMAN. In terms of modernization, and I think it is important at least that we get this in the record this morning for whatever reasons, political or otherwise, but since Minuteman was deployed what has the Soviet modernization been in ICBM's and in intermediate range missiles? That, I think, ought to be in the record as well.

Mr. ADELMAN. Yes; I think that is a good point, Mr. Chairman.

Senator RUDMAN. Yes.

Mr. ADELMAN. The number of new Soviet missiles since the Minuteman, I can't remember, but it is somewhere around six or seven.

As I had mentioned, since SALT II they had three new Soviet ICBM's.

Also, Senator, right now we anticipate that they are going to be testing in the next 10 years at least two, probably three, new types of ICBM's.

Now if you say to get rid of SALT II you are really taking the lid off the constraints, I will understand that there is some argument there. I agree with Senator Bumpers.

You have to wonder how much of the constraints that you are constraining for all of the projections that we have. How much different would be the Soviet behavior? Would they really take resources away from their economy or their conventional balance or their navy funds and put them into yet more such strategic funds in order to violate SALT II or to exceed it? Would they do more than a 5 to 7 percent growth, real growth per year, in the strategic budget, which is a whopper?

Secondly, over the next 10 years all projections show that we would have to dismantle more warheads each and every year in the next 10 years.

So year after year after year to stay within the terms of SALT I and SALT II we would have to take out more warheads for this.

Senator, if your claim that these constraints are very important because they constrain us and that they constrain them, then I'm not worried about constraining us. I'm worried that we should do what we need to do to keep the deterrence. We don't need arms control to control the United States. It is, I take it, part of your job to control the United States and do what is sensible, and part of the administration's job.

We want the arms control to constrain the Soviet Union. If they cheat on the arms control and their behavior is not different, then you are not constraining them very much.

Then you have to ask yourself if they would feel such a pinch because of SALT I and SALT II, then why would they want to continue it? This would hurt them so much in the future. So why are they so anxious to keep it going? I think that the answer to that is, quite frankly, that they enjoy a situation where they can violate with impunity and that we then stay religiously within it.

Senator BUMPERS. If SDI is so bad why are the Soviets so opposed to it? The sequence of that is if they don't like it, it must be good for us.

FUTURE NONCOMPLIANCE ISSUES

Mr. ADELMAN. I think that is a fair point. That is right. That is a fair point.

Let me just, if I could, toss one to you.

Senator BUMPERS. Yes.

Mr. ADELMAN. What are we going to do about the Soviet violations in the future?

I know that you have been talking about arms control for many years. I know that you are quite passionate about arms control. I share that.

Senator BUMPERS. Yes.

Mr. ADELMAN. What would you do in a situation, Senator, Bumpers, when they cheat?

Senator BUMPERS. First of all, I think that SALT II is worth preserving. Let's keep both sides within the numerical limits.

Mr. ADELMAN. Even though they are not now.

Senator BUMPERS. We are talking about a couple of Bison bombers out in the scrapyard that they haven't cut up.

Mr. ADELMAN. The same numbers as the Poseidon would be, Senator.

Senator BUMPERS. You give me a Poseidon against a Bison. Which one would you take?

Mr. ADELMAN. I don't know. It depends on the needs of the forces.

Senator BUMPERS. You are talking about something that they would put in a museum in this country.

Mr. ADELMAN. You are talking about 2,550 SMDV's. You don't have to choose the weakest part of this against the whole number.

Senator BUMPERS. We are talking about the survival of the human race here. This is not penny ante that we are talking about here. There is no more serious issue to discuss.

The SALT II Treaty, in my opinion, is worth preserving to stay at least close to the numerical limit.

If you want to say that they are cheating, they are on the SS-25 ICBM and maybe in other places, you asked me what should we do. Is the answer to that is to hell with them, let's break out of this treaty. Then who, I ask you, is in the better position to take advantage of scrapping SALT II right now, the United States or the Soviet Union?

Mr. ADELMAN. I'd say the United States.

Senator BUMPERS. You think so?

Mr. ADELMAN. Yes. I'll tell you why.

Under the terms of SALT II each and every year in the coming years we would have to dismantle more warheads than the Soviets would. In this time of budgetary constraint I'm not sure that the Congress will go along with the enormous increases in the strategic forces.

You are asking us to dismantle quite a bit of equipment for arms control, which I am in favor of if the Soviets are going to do that. But if the Soviets are going to continue with this buildup and we face in 10 years time, Senator, without SALT II, a whole new ICBM force by the Soviets, all new warheads by the Soviets, then are you going to feel safer than you do today? I'm not.

DETERRENCE

Senator BUMPERS. Do you consider the Soviet Union to be superior to us strategically?

Mr. ADELMAN. In many elements I do.

Senator BUMPERS. Overall.

Mr. ADELMAN. I think that deterrence is doing OK.

Senator BUMPERS. You still haven't answered my question. A yes or no answer.

Mr. ADELMAN. I think that what we have to do is to have the forces so that the Soviets do not start a nuclear war. I think that deterrence is in good shape. I worry about the deterrence 10 years down the road.

Senator BUMPERS. I do, too.

Mr. ADELMAN. Yes.

Senator BUMPERS. That is why we are debating this issue.

Mr. ADELMAN. Yes.

Senator BUMPERS. Why would the Joint Chiefs of Staff want to maintain SALT II?

Mr. ADELMAN. It is not to my knowledge that they want to do that.

Senator BUMPERS. I'd suggest that you check with them.

Mr. ADELMAN. I sit with them in meetings with the President.

Senator BUMPERS. And you're telling me that you have never heard the members of the Joint Chiefs of Staff say that they favor SALT II?

Mr. ADELMAN. I'm saying that they are just as reluctant as I am to reveal the position that I put forward to the President. I wouldn't want to reveal their position, but I stand by what I said a minute ago.

NATO SUPPORT OF SALT II

Senator BUMPERS. Why do you think that all of our allies in NATO strongly support SALT II?

Mr. ADELMAN. That's a very good question.

Senator BUMPERS. All of my questions are good questions.

Senator RUDMAN. I might even have that stricken from the record.

Mr. ADELMAN. The Europeans get comfortable with certain things.

There is a wonderful article by friends of mine at Harvard that shows why the Europeans don't want missiles in Europe or why they want missiles to stay in Europe. They don't like SDI. They then like SDI. They like the status quo. I think that there is a terrific argument in that article.

Second, even though they didn't like SALT II particularly at the time that it was ratified, it is there. It has some constraints.

Third, their record on concern about the Soviet violations is not an outstanding record.

I think that it is fair to say that the allies have not brought up in speeches or privately with very few exceptions this question of the Soviet violations.

Fourth, if you look historically at this, Europeans do not have such a brilliant record on threat assessment. If you look at the record in the 1930's with all the European countries concerning Hitler and Stalin, you find a general pattern. When they are talking about the Naval Agreement of 1922 or 1926 or if they are talking about the Versailles Treaty or the reoccupation of the Rhineland, then the pattern goes something like this.

Stage No. 1 is that they deny that the Germans are violating this. You can just see this so clearly.

Senator BUMPERS. I can see the analogy coming.

Mr. ADELMAN. Stage No. 2. They say, "OK, they are violating things but it is not very militarily significant that the Germans are violating."

Stage No. 3. "It might be militarily significant, but we can't do much about it."

Stage No. 4 and, in regard to the respectability of this committee, I'll say holy cow. There could be other such phrases. Then we get into a conflict situation.

I don't think that they were quite attentive to violations then. I don't think that they are quite attentive to violations now.

Senator BUMPERS. Do you think with 10,000 deliverable nuclear warheads on each side, that this is a good analogy to use in 1986?

Mr. ADELMAN. I think it is a good analogy to use on the threat assessment against a totalitarian state.

If your point to me, Senator, is that there are just too many nuclear weapons in the world, then I agree with you.

Senator BUMPERS. Mr. Chairman, I know that you have got other things to do. I have got a couple of things that I would like to cover quickly.

Senator RUDMAN. Yes.

Mr. ADELMAN. Yes, sir.

NUCLEAR TESTING

Senator BUMPERS. Did you agree with the President's ignoring of the moratorium on testing by the Soviet Union?

Mr. ADELMAN. Ignoring of the moratorium?

Senator BUMPERS. Yes.

Mr. ADELMAN. We turned it down more than we had ignored it; yes.

Senator BUMPERS. You agreed with that?

Mr. ADELMAN. Yes.

Senator BUMPERS. Why?

Mr. ADELMAN. Because I think that the first priority in arms control is real reductions. I can't conceive of an actual situation where a test moratorium would be in our interest as long as we rely on nuclear weapons for our ultimate safety and security. I will leave it at that.

You have to have, Senator, in a testing moratorium, you have to have a premise that a moratorium is going to stop the modernization, the improvements in it, which I think is true. I buy that premise.

You have to have a second premise that those kinds of improvements are very harmful to our security. I don't buy that at all on nuclear testing.

I believe that when you look over what has happened in the nuclear era over the last 20 years that nuclear weapons are safer today then they were.

Senator BUMPERS. They are safer?

Mr. ADELMAN. Yes.

Senator BUMPERS. You mean to handle?

Mr. ADELMAN. Safer to handle and to make sure that we have permissive action links on them so that unauthorized or unintentional incidents with them are less likely. I think that the numbers are down in the overall nuclear arsenal of the United States, down by one-fourth from what they were in the sixties, which would not have been possible without the nuclear testing.

Second, the yield in the blast, the megatonnage of the U.S. nuclear force in general is down about 75 percent from what it was in the sixties.

Senator RUDMAN. Is there not a third premise without getting into classified things at all that there are changes in technology that are done for a variety of reasons that have to do with weight, action links and so forth, but the third premise is that in order not to test even in a limited way that you have to have the total confidence that your theories are right and they will work? They have to.

Mr. ADELMAN. That is right.

Senator RUDMAN. That they have to. Isn't that a third premise?

Mr. ADELMAN. Right.

Senator RUDMAN. Yes; I think that is a very important premise.

Mr. ADELMAN. I was out at Los Alamos or at one of the labs, and recommend that you go there. It's really very impressive.

One of the things there that was their highest priority at the time that I was there was looking at the capability of having nuclear devices that worked, but that could withstand the impact of two planes crashing in midair. So not only was there no detonation but there would be no radioactivity. They have some fancy scientific word for this. Under a tremendous impact, there would be no detonation, no radioactivity, no nothing.

Now, would we want to stop that kind of research? I wouldn't. I think that is pretty valuable research.

ARMS RACE

Senator BUMPERS. Let me make my point. I think that it depends on where you think that the arms race ought to be and where it is going.

Mr. ADELMAN. Yes.

Senator BUMPERS. I am ambivalent about this subject in my own mind. This is simply because the genie is out of the bottle and we are not going to get it put back in. I don't think there is anybody who thinks that we are going to rid the Earth of nuclear weapons. If they do, they are deluding themselves.

I think that an unconstrained arms race can only lead to one point. That is when anybody starts militarizing like Hitler did, then you know where you are going. When you have two sides that are doing the same thing, the end is absolutely predictable.

Mr. ADELMAN. I don't think that it is predicable, Senator. I think that when you say unconstrained arms race that you have to ask yourself has it been constrained. Is this being constrained now? Is it, or has it been constrained by SALT I and SALT II? Are we safer today than we were in 1969?

Senator BUMPERS. We are safer than we would have been without SALT II?

Mr. ADELMAN. That may be true and that may not be true.

The second thing is let's look at the unconstrained races now. OK. We have an unconstrained environment between NATO and the Warsaw Pact. There is no arms control. That is not to say that the Warsaw Pact doubles its budget every year, that they go through the roof, that they triple the number of tanks.

We have an unconstrained naval environment today. There is no arms control.

But when you get into the nuclear, the premise is, "My gosh, arms control is constraining this very nicely and were it not for arms control that everything would just absolutely skyrocket in number."

Ninety-percent of the military on both sides is not constrained by arms control.

STRATEGIC SUPERIORITY

Senator BUMPERS. My point is that if you scrap SALT II, you are saying to me that not only is the arms race really on but that we believe that we can achieve strategic superiority over the Soviet Union and we can dictate the terms of the agreement. We cannot do that.

Mr. ADELMAN. I just don't buy that.

Strategic superiority is not in the cards. This is not popular with the administration. It is not popular with the Congress. It is not needed. All that is needed is deterrence here.

Second, when we say an unconstrained arms race, you have to again ask how much the constraints are because of the arms control and because of the budgetary factors, engineering factors and rationality factors.

If the President changes the policy on SALT II and sends the message that we are not going to abide by treaties that the Soviets keep breaking year after year after year, then that is the message that will go forth.

NO UNDERCUT POLICY

Senator BUMPERS. Are we in the process right now with the Midgetman and the MX of violating it?

Mr. ADELMAN. No.

Senator BUMPERS. No?

Mr. ADELMAN. No; we are not.

Senator BUMPERS. We will be if we deploy the Midgetman.

Mr. ADELMAN. In 1992 and if everything sails on the Midgetman, which is doubtful, in 1992 we will then have a situation that the Soviets have today.

Senator BUMPERS. When are we going to flight test the Midgetman?

Mr. ADELMAN. I don't know. I think in the nineties.

Senator BUMPERS. Then we are going to be in violation the day we fight test it.

Mr. ADELMAN. We don't know what the shape of SALT II will be at that time, Senator. There is a difference in something happening last year and this year with the 70 deployed SS-25's and putting this on the drawing boards and blueprints in the basement of the Pentagon. I mean that is just the difference, Senator.

Senator RUDMAN. Just so the hearing will be complete, not for those that are here, but for those historians who like to read things 50 years from now, I think that it is very important to point out what we all know, but I would like it in the record, that we are talking here about a treaty that was never ratified by the United States Senate and which expired by its own terms had it been ratified when, on the last day of December?

Mr. ADELMAN. Yes.

Senator RUDMAN. Of 1985.

Mr. ADELMAN. That's right.

Senator RUDMAN. This is not an adverse comment to Senator Bumpers' questions. I agree with many of his questions.

I think that it is important to note that arms control has got to the point that a treaty, had it been ratified, would now have been expired. This says something about the ability of both parties to get together. I wanted that in the record.

Senator BUMPERS. Mr. Chairman, SALT I had expired October 3, 1977. But the President is the one who had announced the no-undercut policy. Here is a Democratic Senator who was on the sidelines and applauded that decision, Mr. Chairman.

Senator RUDMAN. Do you know what the policy was, Senator? I know that you know.

We are not going to undercut SALT II so long as the Soviets show equal restraint.

Senator BUMPERS. Just because they still have got a few Bison bombers out there.

Mr. ADELMAN. And they have a second new-type missile. We can't verify things. They have an SMDV number that you may dismiss as very insignificant. But the fact is that the number of Poseidons that you consider very significant is about the same number.

Senator BUMPERS. Those Poseidons are older than the Yankees. Our Poseidons, the whole life of those is going to expire in 7 or 8 more years anyway. We have got to scrap them anyway.

Mr. ADELMAN. You have to ask yourself as somebody who I know, as you are, is extremely interested in the credibility of the United States, how much longer that you can say that the Soviets are showing equal restraints when you and I and Senator Rudman and everybody else in this room knows that they are not.

Let me say one other thing, if I may. Over last summer when we went through this spring ritual that we seem to go through on SALT II every year, the President laid down three conditions to continue to go the extra mile. It was part of your resolution. He laid down three conditions.

They were (a) the Soviets would stop cheating; (b) they would show some decline in their relentless strategic buildup; and (c) that they would be serious about Geneva. We are 0 for 3. He calls into question the credibility if you keep laying down these conditions we won't undercut SALT II so long as the Soviets show equal restraint. We know that for 5 years they haven't.

Then, last summer, to go the extra mile, the President laid down three conditions. Then you say that aside from those conditions we are going to continue to do it.

Senator BUMPERS. Let me ask you one final question at this time.

Mr. ADELMAN. Yes.

STRATEGIC DEFENSE INITIATIVE

Senator BUMPERS. Do you agree with Paul Nitze's criteria for deployment of the SDI and that it ought to be survivable? And what was the other?

Mr. ADELMAN. Cost effective.

Senator BUMPERS. Cost effective.

Mr. ADELMAN. That it would be cost effective.

Senator BUMPERS. In other words, that it would be less expensive to us than for the Soviets, less expensive for us to deploy than it will for the Soviets to?

Mr. ADELMAN. For certain goals I believe that; yes, Senator.

Senator BUMPERS. And you think it should be survivable?

Mr. ADELMAN. Yes, I do.

Senator BUMPERS. And you would not recommend to the President deployment of the SDI if it doesn't at least meet those criteria?

Mr. ADELMAN. True.

Senator BUMPERS. Thank you very much.

Mr. ADELMAN. Thank you.

Senator RUDMAN. Good. I would like to see if we can execute a disarmament treaty with the Civil Rights Commission now.

Thank you, Mr. Adelman. Your complete statement is included in the record.

[The prepared statement of Kenneth L. Adelman follows:]

STATEMENT
OF
KENNETH L. ADELMAN
DIRECTOR
U.S. ARMS CONTROL AND DISARMAMENT AGENCY

BEFORE THE
SENATE APPROPRIATIONS
SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE, THE JUDICIARY AND RELATED AGENCIES

MARCH 26, 1986

Mr. Chairman, it is once again a privilege to appear before you and the Appropriations Subcommittee. We look forward to working with you and your distinguished colleagues. We appreciate the strong interest in ACDA and the support which this committee consistently demonstrates for ACDA.

On this, ACDA's 25th anniversary, we continue to search for ways to strengthen our mission to develop good arms control and realistic arms control initiatives -- and arms control that really does help the security of the country and of our friends and allies overseas. The following budget request reflects this commitment.

The President's FY-87 budget request for ACDA includes $25,750,000 for continuing ACDA programs and $5,250,000 for the Reduced Enrichment in Research and Test Reactor (RERTR) program for a total of $31,000,000. This is at a time when our principal Geneva negotiations and other talks with the Soviets are presently in progress. As you know, the Geneva Nuclear and Space Talks (NST) have been underway with an expanded scope since last March. The increased support necessary for this level of activity is reflected in this budget request.

Mr. Chairman, three years ago when I was sworn in, President Reagan made clear his intention to strengthen ACDA. When I appeared before this committee for the first time, I pledged "to invigorate ACDA to the fullest of my abilities." Today I would like to report to you on follow through.

- o We have filled key positions in ACDA and, with Congress, have succeeded in getting key positions upgraded to appropriate levels commensurate with other agencies;
- o ACDA has chaired the only interagency group established since 1981 in arms control -- specifically, in defense and space;

- o ACDA's full-time permanent position ceiling has gone from 154 in 1983 to our present level of 184, an increase of 19.5%;
- o ACDA's budget has kept pace with our growing needs. Today's funding request reflects a 60.9% increase over FY-83, reflecting the importance of ACDA in the arms control process and the President's commitment to it;
- o This past year alone I have had 16 meetings with the President and 45 meetings overall in the White House.

Before we begin detailed discussions of ACDA's requirements, I would like to review some recent developments in our arms control efforts.

When I appeared before you last April, we had just resumed our discussions with the Soviets on limitations of strategic and intermediate-range nuclear arms and on defense and space issues in the NST. These negotiations, headed by Ambassador Kampelman, have just concluded the fourth round. The ACDA staff has been, and will continue to be, intensively involved in both the preparation for and support of these talks. The ACDA staff prepares and coordinates extensive political, technical and legal analyses for policy decisions related to these negotiations. ACDA also has representatives on the Delegation, as well as providing organizational and logistic assistance both in Washington and in Geneva.

The head negotiators for the three groups are part of ACDA. Dr. Henry Cooper, my former Assistant Director of Strategic Programs, now serves as the Deputy Head of the Defense and Space negotiating group and remains part of ACDA. In addition, ACDA chairs the interagency group on Defense and Space, and the interagency backstopping support for the U.S. Delegation.

The NST negotiating activities involve a tremendous workload across many offices, but especially for the Bureau of Strategic Programs. Mr. Michael Mobbs has recently been confirmed as my new Assistant Director for Strategic Programs and has already contributed greatly in this important job.

During the first round of the NST, both sides laid out their views on what needs to be resolved to meet the objectives agreed upon in January 1985. We tabled concrete proposals for significantly reducing both strategic and intermediate-range nuclear arms and sought to initiate a dialogue with the Soviets on defense and space issues. The President has given our negotiators a great deal of flexibility to explore avenues of possible agreement.

The Soviet side insisted on linking progress -- or even detailed discussion -- of offensive nuclear arms reductions, either in START or INF, to a ban on our Strategic Defense Initiative (SDI) research. That position, they know, is clearly unacceptable for the U.S. Research, fully consistent with the ABM treaty, needs to go forward and should not be limited in order to help move us nearer the President's objective of greatly reducing and eventually eliminating nuclear weapons.

We have, of course, consistently opposed making progress in any one area hostage to progress in any other area. Soviet negotiators also put forward a proposal for moratoria which would apply to all areas. We responded as to why these moratoria were not productive for progress in arms control.

During the second round there was more constructive dialogue, but little convergence of views. The third round, however, was more eventful. The Soviet Union made counter-proposals to our comprehensive arms reduction positions. Those counter-proposals contained a few positive elements, but also remained tremendously one-sided in several key areas. The Soviets even tabled positions that they had long abandoned in earlier SALT negotiations.

To move the negotiations forward, the President made a fresh offer. It included proposals on how to cut in half the offensive nuclear arsenals of both sides in an appropriate and equitable way and on an interim limitation on intermediate-range nuclear arms.

Our proposal takes account of expressed Soviet concerns and builds on the common elements in our respective positions. It sought: deep cuts; no first-strike advantage; continuing defensive research -- because defense is much safer than offense; and no cheating. Our proposal, if accepted, would result in the most dramatic cuts in offensive arms ever achieved.

With the fresh U.S. offer on the table and the talks in recess, President Reagan met with General Secretary Gorbachev November 19 - 21 in Geneva. I accompanied the President to Geneva. During two days of meetings, including several one-on-one exchanges, the two leaders discussed bilateral issues, regional questions, human rights, and arms control.

The Nuclear and Space Talks figured significantly in their review of arms control. At the end of the meeting, President Reagan and General Secretary Gorbachev made a commitment to accelerate Soviet-American arms reduction negotiations where there is common ground. Specifically, they agreed to the principle of 50% reductions, appropriately applied, in nuclear offensive arsenals, and to seek an interim agreement on limiting intermediate-range missile systems. The current round of talks has made some progress toward achieving these mutually beneficial objectives.

General Secretary Gorbachev's January 15 proposal contains much that is old and unacceptable, but also a bit of movement. This is worth exploring to see whether the Soviets are sincerely interested in making progress in arms control. Regrettably, despite its apparent breadth, the proposal did not move previous Soviet positions in strategic or defense and space areas.

Just recently the President, after full consultation with U.S. Allies and friends, has responded to General Secretary Gorbachev's arms control proposals of January 15. The President urged that progress be made across the board in key arms control fora as well as other areas, like regional issues and human rights.

The area where immediate progress holds the most promise is in INF. Our negotiators in Geneva tabled near the end of the round a new plan calling for the elimination of U.S. Pershing II, ground-launched cruise missiles, and Soviet SS-20 missiles not only in Europe as the Soviets have proposed, but in Asia as well, with all such missiles to be removed from the face of the earth by the end of this decade.

Our negotiators have continued to press ahead in laying out the details of our position, in seeking Soviet responses, and in expanding common ground.

- In START, we continue to seek 50% reductions in the strategic nuclear arsenals of both the U.S. and Soviet Union, in a balanced and stabilizing way that would reduce the risk of war and the capability to conduct a first strike.
- In INF, we seek the elimination of the entire category of LRINF missile systems by the end of the decade, as indicated in our newest proposal. Nevertheless, if this is not acceptable to the Soviet Union, we remain prepared to work out an interim agreement as outlined just recently in our proposal of last November, based on the principle of U.S./Soviet equality, to significantly reduce LRINF missiles on a global basis.
- In the Defense and Space forum, we continue to seek to expand our dialogue with the Soviets concerning the offense-defense relationship so that both sides can move to greater reliance on defenses in the future, should that prove feasible, in a way that further reduces the nuclear threat.

We are also exploring our new "open laboratory" proposal, calling for reciprocal visits to laboratories engaged in strategic defense research.

Mr. Chairman, the U.S. side is ready for tough, honest bargaining. The challenge is formidable, but our negotiators have the flexibility to explore any reasonable avenue for agreement. As the President has said, we are more interested in results than in methods of reaching them. If the Soviets approach the talks in a similar spirit, the prospects for progress will be greatly increased.

Our two countries have it within our power to make 1986 a year of genuine progress in arms control. The door is open, we hope the Soviets will walk through it. Fair, equitable and verifiable reductions of nuclear weapons will serve Soviet and American interests, and that of all humanity. It is a noble goal, and an awesome responsibility.

Besides ACDA's role in these negotiations and in policy formulation, we have a long-term task of analyzing questions related to the accomplishment of a stable transition to strategic defenses, should the United States ultimately conclude that moving to a greater reliance on such defenses is both achievable and desirable within the criteria the President has laid down. Dialogues with our Allies, the Soviet Union and others have already begun and will be actively pursued.

The potential impact of strategic defenses on deterrence and stability is both a challenge and a promise for those tasked with crafting the future of arms control on both sides, and it lies at the heart of ACDA's mission. Effective defenses, should they prove feasible, can not only be compatible with the control of offensive nuclear arms, but can indeed help to achieve substantial reductions in those arms. This will allow the United States and the Soviet Union to reduce in a safe and stable way their reliance on the threat of annihilation for deterrence.

In addition to NST, ACDA supports the Standing Consultative Commission (SCC), the bilateral US-USSR Commission designed to deal with implementation and compliance issues arising from the SALT agreements. The SCC held its 28th and 29th sessions during 1985, each lasting about two months. The 30th session is presently underway and it will meet at least once more during 1986. Reporting on the proceedings of the SCC, as you know, is provided to Committees of Congress in classified form, consistent with the SCC's principle of confidentiality. Soviet non-compliance issues, however, are discussed and analysed in the President's annual report to the Congress.

ACDA has an important role in the preparation for and conduct of the SCC just as it does with the NST. ACDA professional staff members lead the interagency work on policy formulation and backstopping, and provide members and support staff for the bilateral sessions. Also, the office of the U.S. SCC Commissioner is organized in ACDA to provide full-time continuous support for the U.S. Commissioner and the Secretariat, the leadership and nucleus of the U.S. Component of the SCC.

In the critical area of compliance, Dr. Manfred Eimer, ACDA's Assistant Director for the Verification and Intelligence Bureau, co-chairs the Arms Control Verification Committee Analysis Group which prepared the recent reports to Congress on Soviet non-compliance with existing arms control agreements. Thus far, three Presidential reports on Soviet non-compliance have been forwarded to Congress. Classified and unclassified versions of these reports were sent to Congress in January 1984, February 1985, and December 1985.

From an arms control point of view, non-compliance is a deeply troubling concern. We cannot be serious about arms control if we are not equally serious about compliance. If we are to achieve true reductions and have confidence in the results of the negotiations, we must be confident that we can determine whether the Soviets abide by their commitments. We must also keep in mind that, in addition to the detected violations, there has been an increase in Soviet efforts to conceal, cover, and deny the United States information that is needed to assess activities related to arms control.

While we are continuing to monitor Soviet activities related to current treaties carefully, we are also conducting a number of studies to improve the verification of future agreements. These studies have been key inputs in the development of the verification measures for treaties in START and INF. ACDA is working with other agencies on incorporating these measures into draft treaties to reduce the verification uncertainties in the future.

In the multilateral affairs area of arms control, ACDA heads the U.S. delegation to the 40-nation Conference on Disarmament (CD) in Geneva. ACDA's Acting Assistant Director of Multilateral Affairs, Archelaus Turrentine, chairs the Interagency Group which provides policy guidance to the U.S. delegations. ACDA also heads the U.S. delegations to the U.N. Disarmament Commission, to the UNGA First Committee which treats arms control issues, and to the NATO Disarmament Experts meeting, held twice a year in Brussels. The U.S. Deputy Representative to the Conference on Confidence and Security Building Measures and Disarmament in Europe (CDE) is appointed and financed by ACDA. The Agency is also represented by a senior officer on the U.S. delegation to the Mutual and Balanced Force Reductions (MBFR) negotiations.

ACDA plays a key role in the negotiations in the CD on a comprehensive chemical weapons ban. In addition, ACDA has been actively involved in consultations with other Western countries on measures to curb the spread of chemical weapons which complement and support our primary efforts in the CD to conclude an effective, comprehensive worldwide ban. In accordance with an agreement between the United States and the Soviet Union at the summit to accelerate negotiations, bilateral discussions on a comprehensive ban of chemical weapons have begun and will be taking place this spring. Also pursuant to a summit initiative, the U.S. and the Soviets have entered into bilateral dicussions on the proliferation of chemical weapons, the first round of which was held in Bern on March 5 and 6.

ACDA also has the lead in preparing for and participating in the Biological and Toxin Weapons Convention Review Conference which is scheduled for the fall of 1986 and the preceding BWC Preparatory Committee meeting in the spring of 1986.

ACDA plays an important supportive role in implementing U.S. policy to prevent the spread of nuclear explosives to other countries and in strengthening the Treaty on the Non-proliferation of Nuclear Weapons. ACDA was the lead agency in the Executive Branch for the Nuclear Non-Proliferation Treaty Review Conference. Dr. Lewis Dunn, my Assistant Director for Nuclear and Weapons Control, led the U.S. delegation at the September 1985 NPT Review Conference.

The 1985 NPT Conference concluded successfully with the adoption by consensus of a Final Declaration which reaffirmed the parties' unequivocal support for the NPT and their belief that it is essential for international peace and security. The Conference affirmed that the non-proliferation and safeguards commitments of the NPT provide an essential framework for peaceful nuclear cooperation, and strongly endorsed the International Atomic Energy Agency and its system of international safeguards. The outcome of the 1985 NPT Review Conference strongly supports U.S. non-proliferation and security objectives by underscoring the vitality of the NPT, and reinforcing the overall norm of non-proliferation. This outcome will support our non-proliferation efforts in the coming years.

In FY-87, ACDA is requesting funding to continue the important work of the Reduced Enrichment in Research & Test Reactor (RERTR) program. This program has the goal of developing new fuels for research and test reactors which will substantially reduce the requirements for international commerce in highly enriched uranium. Reducing the availability of such weapon-usable material is of vital importance to U.S. non-proliferation policy goals. While DOE operates this program, it furthers an international arms control and non-proliferation objective which fits within ACDA's overall mission.

As you are probably aware, ACDA is congressionally mandated to provide information on arms control to the public. It does so by arranging for senior ACDA officials to speak before public groups; by scheduling local, national and international interviews of ACDA officials by press, television and radio representatives; as well as responding to thousands of public and news media inquires.

This year, guided by my new Director of Public Affairs, Sigmund Cohen, we are intensifying our public information efforts, focusing in part on ACDA's 25th anniversary. We are developing significant out-reach programs to the American people to encourage greater public understanding of and participation in the arms control process. We are instituting new programs designed for secondary schools and universities, for publication in educational journals and for presentation to a variety of groups across the country. Our efforts will enhance ACDA's role as an effective and industrious advocate of arms control over the last quarter century.

These activities and many others are described in greater detail in our Congressional Presentation Document.

In addition to this work, we are continuing the implementation of our classified computer system. This system is available to and provides support for the entire Agency. Of particular importance are a number of systems to permit the rapid retrieval of the negotiation records, position papers, and background studies. We are currently planning to add a seismic data base to the computer which will permit us to do further studies related to verifying nuclear test limits.

We also have underway a program to update our office equipment capability. Modern word processor and personal computer equipment will be installed for the decentralized use of our bureaus and offices with networking features to communicate electronically on a secure basis. This new office automation system will significantly enhance the capacity and output of our small staff.

Mr. Chairman, at this time I would like to submit to the Subcommittee ACDA's FY-87 appropriation request.

Last fall, when we began the FY-87 budget process with OMB, we worked to determine the priority for ACDA's mission, competing with other Agencies for funding within the framework of the President's balanced budget initiative. The result was a positive endorsement of ACDA's role in the arms control process from OMB and the Administration. Consequently, we were able to obtain approval for our current budget request.

Included in our request is $48,000 for representational funds. This is an increase of $5,000 over the FY-86 level. These funds are used primarily for informal contacts with representatives of foreign countries both here and overseas. The bulk of these expenditures are for the work of our delegations in Geneva, Vienna and Stockholm. Our Ambassadors in Geneva are strongly of the opinion that the additional face-to-face meetings with the Soviets, which these resources permit, are extremely valuable to their work by providing a less rigid atmosphere than that of the formal plenary meeting process.

As you know, 50 percent of ACDA's budget goes for salary and benefits. Our FY-87 request makes provisions for a total of 265 positions of which 208 are either full-time permanent or temporary ACDA staff and 57 are reimbursable positions with personnel from other agencies, primarily the State Department and Department of Defense. Other major expenditure categories are support services, which we receive from other agencies and which we provide to the delegations through the U.S. Mission Geneva, and overseas travel.

As negotiations have progressed in Geneva, we have looked closely at the physical facilities that are needed to adequately house the delegations and provide for adequate security of the staff and their working environment. We plan to move the delegations handling our bilateral negotiations with the Soviets to the U.S. Mission building this spring to better meet their needs. This, of course, will result in some additional expense which we had not foreseen last year, but we expect this cost can be covered within our existing budget plan.

A longer-term solution to the requirements of our arms control efforts in Geneva is being addressed by a joint ACDA-Department of State effort to construct a new dedicated building on the grounds of the U.S. Mission. Funding for this project has been requested by State and the cost of construction is estimated at $56 million. Our schedule calls for ground breaking this summer with completion during the summer of 1988. Detailed plans are now well established for this very important facility and Mr. Montgomery has just returned from Geneva where he and the Foreign Building Operations staff presented final specifications to our Ambassadors there. The completion of this new building should greatly improve the working conditions of the delegations and meet what are unfortunately ever increasing security considerations.

As a result of the Balanced Budget and Emergency Deficit Control Act, the Gramm-Rudman-Hollings legislation, ACDA has sequestered 4.3% of its FY-86 appropriation of $25,850,000 for an effective budget reduction of $1,112,000. We plan to meet this spending target through tightening our administrative controls across the board, so that no single activity will be severely effected. We are giving priority to the needs of Geneva delegations, whose work should not be adversely effected by these funding reductions. However, we will also monitor these accounts closely to insure that all expenditures are prudently made.

Our FY-87 request for continuing ACDA programs is higher than the FY-86 Gramm-Rudman-Hollings level, but less than the FY-86 appropriation as passed by the Congress. In light of the amount of negotiating activity with the Soviets and other countries and the other programs which ACDA is mandated to carry out, I believe that this level of funding is essential to our Agency's mission.

I ask for your support, Mr. Chairman, in obtaining Congressional approval for ACDA's FY-87 appropriation request. I, my staff and the members of our Geneva delegations look forward to working with this Committee and with the Congressional Arms Control Observer Group on the crucial and important arms control issues which we face today.

ADDITIONAL COMMITTEE QUESTIONS

(The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:)

QUESTIONS SUBMITTED BY SENATOR RUDMAN

Q. You are requesting $5.2 million to fund the Reduced Enrichment in Research and Test reactor Program. This program is currently run by the Department of Energy.

--How does the program function? Why are you proposing to transfer it from the Department of Energy?

A. The primary objective of RERTR is to minimize international commerce in highly enriched uranium required to fuel research and test reactors throughout the world; about 100 foreign reactors now require the export of about 700 kilograms of HEU annually. This objective is being accomplished by:

(a) Developing and demonstrating new high density low enriched uranium (LEU) fuels which can be substituted without significant economic and technical penalties for the HEU fuels now required;

(b) Developing generic data and calculational methods required to analyze the reactor engineering and safety performance characteristics of the reactors operating with the new LEU fuel;

(c) Providing technical assistance and support to foreign reactor operators to analyze the effects of converting their facilities to LEU fuels.

DOE has requested no funds for RERTR in FY-87. The RERTR program is an important element of a U.S. non-proliferation policy objective to reduce the amount of highly enriched uranium in international commerce. Consequently, since the start of the program in 1978, ACDA has strongly supported the timely completion of the program, scheduled for 1990. ACDA has the necessary legal authority and technical capability to carry the program through to its conclusion. Thus, ACDA is requesting authorization for the RERTR program in its FY-87 budget.

ACDA will transfer funds to DOE to administer RERTR through a contractural arrangement. The work statement for the contract will be mutually agreed upon by ACDA and DOE, and the day-to-day management of the technical activities to support the work statement will be the responsibility of the Argonne National Laboratory RERTR Program Director.

Q. As a part of its security supplemental for fiscal year 1986, the State Department is requesting $56.2 million for a new office building in Geneva to house the arms control negotiators and their staff.

--Have you been working closely with the State Department on the development of this proposal?

A. ACDA has worked very closely with all elements of the State Department which are concerned with the planning, design and construction of the new arms control addition to the U.S. Mission in Geneva. We are pleased with the cooperation and program space on the essential project.

Q. The Senate Budget Committee's FY 1987 allocation for the State Department's security program is considerably lower than the request of the Administration.

--What would be the impact on the arms control negotiations if the building is delayed for several years, or were not approved at all?

A. Because of critical security requirements, we have been forced to move the bilateral arms control delegations from the Botanic Building to temporary quarters in the U.S. Mission Geneva. This temporary arrangement has required many compromises that are only acceptable as a temporary arrangement. If the new building is delayed for an extended period, the working efficiency of the arms control delegations and the U.S. Mission staff will be adversely affected. In addition, because of inflationary pressures in Switzerland a delay of several years will inevitably result in higher costs for the facility which current conditions dictate must be built.

Q. ACDA is involved in the Mutual and Balanced Force Reductions negotiations between NATO and the Warsaw Pact on conventional arms and troops in Europe. Late last year the West proposed bilateral troop reductions in an effort to end the stalemate in the negotiations.

--What were the main elements of the NATO proposal? Has the Warsaw Pact responded?

-- What were the main elements of the NATO proposal?

A: On December 5, 1985, NATO representatives submitted A proposal in Vienna calling for an initial reduction agreement focusing on the withdrawal of 5,000 U.S. and 11,500 Soviet troops, followed by a no-increase commitment applying to all Western and Eastern forces in Central Europe. In addition, the West asked for Eastern agreement to an effective and reciprocal verification package that included an annual exchange of information on force structure, 30 on-site inspections a year to check this information, and manned troop entry/exit points to observe the movement of forces into and out of the area.

-- Has the Warsaw Pact responded?

A: The East on February 20 tabled a draft agreement in response to the Western December proposals. Rather than moving forward on any of the substantive issues that remain in the negotiations, the Eastern move is a collection of old, tired Eastern positions from the past repackaged in draft agreement form. In the Western view, it does not constitute a serious response to the last Western offer.

Q. You are proposing to increase your external research program by $$285,000 in 1987, a 20 percent increase.

--Why is it necessary to increase external research by this amount? What types of external research are performed for the agency?

A. The Agency has determined that the additional $285,000 in FY-1987 would allow us to do the necessary external research required to carry out our mission. Though this increase is significant it would permit us to accomplish much needed arms control research.

The types of research performed depend on the requesting bureau but generally speaking the work is performed to support the various arms control negotiations and verification efforts.

Q. Travel, per diem, and transportation costs are scheduled to increase by $347,000 in 1987, a 17 percent increase.

--In light of falling air fares and reduced fuel costs, why are you projecting an increase?

A. The increase in the travel, per diem and transportation areas reflect a more accurate estimate of the cost of negotiations in Geneva. The original estimates were provided without historical data for a negotiating team of this magnitude.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

Q. While the sensitive nature of these negotiations is appreciated, constructing a building certainly institutionalizes the process and dampens hopes for an early agreement. Does the contruction of this building indicate that we have relaxed on an early agreement with the Russians?

A. The planned constructing of a new arms control addition to the U.S. Mission in Geneva in no way effects the administration's determination to reach an acceptable early agreement with the Soviet Union on arms control issues currently under discussion. The new building is urgently needed because of security considerations and requirements for adequate working space which cannot be provided by leased facilities in Geneva. Indeed this project should have been started several years ago so that the temporary move of the bilateral delegations to the U.S. Mission would not have been necessary.

Q. President Reagan's term expires January 20, 1989. Presumably he wants to obtain an agreement with the Russians before leaving office. The State Department says that the annex will not be ready for use until 4/1/89.

Is it worthwhile to pursue construction of this building?

A. Arms control issues are complex and wide spread and are not limited to the items currently under discussion through the NST Delegation. Past experience indicates that there will be a long-term need for bilateral discussions on these matters for the forseeable future. Even with an agreement on the items currently under consideration by the NST Delegation substantial effort would be required in a location such as Geneva to insure implementation and compliance.

Q. Briefly describe this program and the benefit of having it funded by ACDA instead of Energy.

A. The primary objective of RERTR is to minimize international commerce in highly enriched uranium required to fuel research and test reactors throughout the world; about 100 foreign reactors now require the export of about 700 kilograms of HEU annually. This objective is being accomplished by:

(a) Developing and demonstrating new high density low enriched uranium (LEU) fuels which can be substituted without significant economic and technical penalties for the HEU fuels now required;

(b) Developing generic data and calculational m thods required to analyze the reactor engineering and safety performance characteristics of the reactors operating with the new LEU fuel;

(c) Providing technical assistance and support to foreign reactor operators to analyze the effects of converting their facilities to LEU fuels.

DOE has requested no funds for RERTR in FY-87. The RERTR program is an important element of a U.S. non-proliferation policy objective to reduce the amount of highly enriched uranium in international commerce. Consequently, since the start of the program in 1978, ACDA has strongly supported the timely completion of the program, scheduled for 1990. ACDA has the necessary legal authority and technical capability to carry the program through to its conclusion. Thus, ACDA is requesting authorization for the RERTR program in its FY-87 budget.

ACDA will transfer funds to DOE to administer RERTR through a contractural arrangement. The work statement for the contract will be mutually agreed upon by ACDA and DOE, and the day-to-day management of the technical activities to support the work statement will be the responsibility of the Argonne National Laboratory RERTR Program Director.

Q. I am also a member of the energy and water subcommittee. While this is the fourth time that this has been proposed, I nor my staff cannot recall any push from the administration on behalf of this proposal.

Is the administration really interested in transferring this program to ACDA?

A. The Administration strongly supports adequate funding for RERTR to complete the program's objectives on schedule. The Administration believes this can best be accomplished by providing funds for RERTR in ACDA's budget if this worthwhile program is not funded by DOE.

Q. Has it occurred to the administration that under the economy act, energy could delegate this program to ACDA?

A. In concurrance with OMB, ACDA's main concern related to the RERTR program is that the program be continued to completion. The agency has not sought to take over the program if DOE would continue to manage it, but rather to insure its completion, which is scheduled for 1990.

Q. ACDA's 1987 request provides for restoration of the $1,112,000 sequestered in 1986 pursuant to the balanced budget and emergency deficit control act. According to the statement on page 4 of the justifications, none of the administrative controls necessary to reduce operations by the sequestered amount, will impair the capabilities of the negotiations delegations. That being the case, why should the $1,112,000 be restored?

A. ACDA's FY-87 request does not provide for restoration of the $1,112,000 sequestered in FY-86. However, based on economic indicators (inflation exchange rates, etc.) and some minor increases in estimated personnel compensation and external research, an increase of $591,000 for continuing ACDA programs is being requested.

This coupled with the additional $421,000 requested by GSA for Standard Level User Charges (SLUC) for ACDA's pro rate share of the rent at the State Department brings ACDA's FY-87 request to $25,750,000 which is $1,012,000 over the FY-86 sequestered level, but still lower than the our original FY-86 request.

QUESTIONS SUBMITTED BY SENATOR LAUTENBERG

This is in furtherance of our interim answers provided several weeks ago regarding three (3) questions posed at the March 5 Appropriations Subcommittee hearing. These questions are:

(1) On average, how long does it take to get a loan approved in New Jersey, and how does that compare with the national average?

(2) What is the trend in the average pendency of loan applications in New Jersey and across the country?

(3) How does your average pendency this year compare with the prior five fiscal years?

Our interim response, under the heading of "Delay in Processing Loan Applications in New Jersey", noted that we did not have the complete answers to these questions readily available, and we would have to do some special computer runs to obtain these data. This task has been completed. However, the loan pendency data (a/k/a SBA average decisional turn-around times) are available only for the 3-1/2 most recent fiscal years; therefore, we cannot provide a complete answer to question #3, above.

Enclosed are copies of the two (2) computer reports we received. It will be noted that these data are consistent with those provided earlier, in that the New Jersey District Office continues to be one of our best performing and most timely loan processing offices. These charts track, from Fiscal Year 1983 through the first half of Fiscal Year 1986, the field offices' average turn-around times for both those loans which ultimately were approved (see "Approval" columns) and those loans which ultimately were either approved, declined, returned to Lender, withdrawn, etc. (see "Total" columns). These charts reflect processing of all SBA 7(a) business loans, whether they be direct or guaranteed. Though direct loans represent only 5 percent of our current 7(a) business loan portfolio, their screening and/or processing requires a disproportionate amount of our time.

In some of our field offices, it takes longer to decline or otherwise screen-out unacceptable loan applications than it does to approve those which are acceptable. Since this Agency takes very seriously its mission to assist small businesses seeking our credit assistance, either directly from SBA or through our loan guaranty program, it is not surprising that we often have to take longer in processing those applications which, in our final analysis, are not acceptable risks. Our extra efforts take extra time.

(CLERK's NOTE: Due to the length of the computer reports, they have been withheld from the hearing record and will be retained in the subcommittee files.)

Computer report #1 reflects average turn-around times only for loans involving our traditional regular-processing. It excludes any loans processed through either the Certified Lenders or the Preferred Lenders Programs --- both of which provide expedited decision-making to the participant lenders (and, thusly, to the borrowers), since we place much greater reliance on the proven abilities of these selected lenders to prepare complete, well-analyzed and fully-documented loan guaranty applications. In fact, the PLP lenders make these loan approval decisions without involving the SBA in the decision-making process. SBA monitors their loan performance records closely, but after the fact.

Computer report #1 shows that, over the past 3-1/2 fiscal years, the Agency's average turn-around times have consistently improved. Similarly, the record in New Jersey reflects this consistent trend toward more timely service from SBA to our participant lenders and borrowers. Finally, it should be noted that the New Jersey District Office has consistently been more timely than has the Agency overall.

Computer report #2 reflects average turn-around times for the processing of all loans, except for those unilaterally processed by our Preferred Lenders. Unlike the #1 computer report, #2 does include those loans processed through the Certified Lenders Program. Thus, as should be expected, this report indicates more timely service by SBA to its lenders and borrowers than does report #1; and, it also reflects a consistent improvement. Though the New Jersey District had some slippage in Fiscal Year 1984, as compared to the previous year, the trend for Fiscal Years 1985 and 1986 is very positive; and, this District consistently has been more timely than the Agency overall.

We are improving our service, and we are doing so on the bases of better quality lending practices and results, and by placing greater reliance upon our more proven lending partners --- those selected to participate in our Certified and/or Preferred Lenders Programs.

U.S. COMMISSION ON CIVIL RIGHTS

STATEMENT OF CLARENCE M. PENDLETON, JR., CHAIRMAN, CIVIL RIGHTS COMMISSION

ACCOMPANIED BY:

- **J. AL LATHAM, JR., STAFF DIRECTOR**
- **JANE MAYNE, BUDGET OFFICER**
- **WILLIAM HOWARD, DEPUTY GENERAL COUNSEL**
- **ALBERT G. MALTZ, ASSISTANT STAFF DIRECTOR FOR ADMINISTRATION**
- **SUSAN MORRIS, EXECUTIVE ASSISTANT TO THE STAFF DIRECTOR**

BUDGET REQUEST

Senator RUDMAN. Our final witness this morning is from the Civil Rights Commission. For fiscal year 1987 the Commission is requesting an appropriation of $12,576,000, which is $805,000 more than its fiscal year 1986 adjusted level of $11,771,000.

Testifying on behalf of the Commission today is its Chairman, Clarence Pendleton.

It is a pleasure to welcome you back again, Mr. Pendleton.

You might now like to introduce your associates and summarize your opening statement. Your full statement will, at this time, be included into the record, Mr. Pendleton.

Mr. PENDLETON. Thank you, Mr. Chairman.

[The prepared statement of Clarence M. Pendleton, Jr., follows:]

UNITED STATES COMMISSION ON CIVIL RIGHTS
WASHINGTON, D. C. 20425

February 14, 1986

Honorable Warren B. Rudman
Chairman
Subcommittee on Commerce, Justice, State,
  The Judiciary and Related Agencies
Room 530, Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Rudman:

The United States Commission on Civil Rights is pleased to submit to the Committee for its consideration the Commission's Request for Appropriation, Fiscal Year 1987. We have set forth in the text our accomplishments in fiscal year 1985, our accomplishments and plans for the current fiscal year, and the Commission's fiscal year 1987 plans in justification of this request.

We fully recognize in this submission the requirement of the President and the Congress that the Commission on Civil Rights carry out its legal mandate while operating within current fiscal constraints. We are also very cognizant of the desire to limit the negative impact of these constraints on our programs and staff and, indeed, are making every effort to do so.

The Commission is, and historically has been, a labor-intensive agency: 70% of this budget submission is directly related to personnel costs, and 20% is dedicated to such fixed costs as Standard Level User Charges and annually contracted equipment maintenance. Discretionary amounts are limited to only 10% of this budget request. Nevertheless, we have elected not to have a reduction-in-force at this time, but to attempt to carry out the agency's mission while reducing costs in all other possible ways.

For example, for the current year, FY 1986, we have imposed a freeze on hiring new personnel with limited exceptions on a case-by-case basis. We have cut our managers' stated requirements in overtime pay by 75% and have cut by lesser amounts their travel, supply, and equipment allocations. We have reduced our space utilization by consolidating our Washington regional office with headquarters. Further, we intend to ask the Office of Personnel Management for "early out" authority, and only as a last resort will we consider furloughing members of the workforce.

In order to live within our budgetary constraints while avoiding a reduction-in-force, programmatic flexibility is vital. Our submission is therefore formatted as one program activity. This realistically reflects the agency's small size and the integrated nature of the Commission's research and information-gathering mission, is consistent with the President's proposal, and affords the flexibility necessary to meet our obligations without adversely impacting our employees.

Your consideration of the United States Commission on Civil Rights' budget request of $12,576,000 for Fiscal Year 1987 is greatly appreciated.

Sincerely,

J. AL LATHAM, JR.

STATEMENT OF
HONORABLE CLARENCE M. PENDLETON, JR.
CHAIRMAN
UNITED STATES COMMISSION ON CIVIL RIGHTS
BEFORE THE
SUBCOMMITTEE ON THE DEPARTMENTS OF
COMMERCE, JUSTICE, STATE,
THE JUDICIARY AND RELATED AGENCIES
OF THE COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

Mr. Chairman and Members of the Committee, I am Clarence M. Pendleton, Jr., Chairman of the U.S. Commission on Civil Rights. With me are J. Al Latham, Jr., Staff Director; Susan Morris, Executive Assistant to the Staff Director; Albert Maltz, Assistant Staff Director for Administration; William Howard, Deputy General Counsel; and Jane Mayne, Budget Officer.

I am pleased to appear before you today to testify in support of the President's request for $12,576,000 and 233 full-time equivalent positions for Fiscal Year 1987. The appropriation for Fiscal Year 1986 was $12,300,000, but under the sequestration order pursuant to Public Law 99-177 (Gramm-Rudman-Hollings), $529,000 was sequestered from our 86 appropriation. Therefore, our funding level for the current year is $11,771,000. The FY 1987 request represents an increase of $805,000 over the adjusted FY 1986 appropriation.

The increase in the request over the 1986 level represents principally anticipated inflation and increases in fixed costs such as rent and salaries. I therefore wish to stress that, although the FY 1987 request reflects an increase over FY 1986, it does not represent a substantial expansion of the Commission's operations at a time of government-wide fiscal restraint. Indeed, the FY 1987 request of $12,576,000 remains below the agency's actual FY 1985 obligations.

Before turning to the Commission's plans for the current fiscal year and for FY 1987, I would like to briefly summarize, Mr. Chairman, the work of the Commission in Fiscal Year 1985. Our accomplishments that year included, for example:

- Publication in January 1985 of a report entitled Toward an Understanding of Stotts.

- A March 1985 consultation/hearing on affirmative action topics in employment and business set asides.

- Publication in March 1985 of a directory of State and local fair housing agencies.

- A June 1985 hearing on protection of handicapped newborns.
- Publication in June 1985 of a report, Comparable Worth: An Analysis and Recommendations.

In addition, various other reports, studies, and factfinding activities of both headquarters and the 51 State Advisory Committees to the Commission were in progress in FY 1985 and continue in Fiscal Year 1986. These continuing projects are described in more detail in our Appropriation Request before you today.

Turning to the current fiscal year, I must first address the impact of Gramm-Rudman-Hollings. As the Staff Director pointed out in his cover letter to the Request for Appropriation, the Commission is a labor-intensive agency. Seventy percent of our budget is directly related to personnel costs, and 20 percent is dedicated to such fixed costs as rent and annually contracted equipment maintenance. A small agency, such as the Commission, with 90 percent of the budget devoted to nondiscretionary items, is obviously impacted substantially by the FY 1986 Gramm-Rudman-Hollings sequestration. Nevertheless, as the Staff Director pointed out in his letter, every effort is being made to cut costs without conducting a reduction in force. For the remainder of FY 1986, and on into future years, programmatic flexibility will be essential to meeting our statutory responsibilities while living within our budgetary means.

For the current fiscal year we have a busy agenda. It includes, for example, four hearings. One of these, a consultation/hearing on discrimination in housing, took place in November 1985. Hearings will be held later this year on voting rights and Indian tribal justice and enforcement of the Indian Civil Rights Act of 1968. A further hearing following up last year's handicapped newborns hearing is also likely. In addition, we anticipate other activities in FY 1986, such as the following:

- o Publication of a study of violence and bigotry against Asian and Pacific Island Americans.

- o Publication of a study concerning employment of Americans of Eastern and Southern European ancestry (a report mandated by Congress).

- o Publication of another extensive directory, covering private fair housing organizations nationwide.

- o Publication of some of the analyses of the causes of income and employment differences between men and women, and among racial and ethnic minorities.

Meanwhile, work on other projects advances, a limited number of new projects are in the planning stage, and the State Advisory Committees are carrying out their programs across the Nation. Our Appropriation Request provides detail on all of these activities.

Finally, Mr. Chairman, I would like to highlight the Commission's program plans for Fiscal Year 1987. Our appropriation request of $12,576,000 includes funding for activities such as the following:

- Publication of the first major Federal equal employment enforcement study by the Commission since 1977.

- Completion of a major study of voluntary and involuntary methods of achieving school desegregation.

- Publication of a study of State and local civil rights enforcement in vocational rehabilitation programs.

- Publication of the first major assessment by the Commission of the effectiveness of the 1982 Voting Rights Act amendments.

- Publication of additional studies analyzing the sources of differences in income and employment between men and women, and among racial and ethnic minorities.

- Completion of a project reviewing the scope and implementation of the Civil Rights Attorney's Fees Awards Act of 1976.

- Initiation of important new studies to determine, for example, the extent and nature of discrimination against the aged, in employment and educational testing, and in housing.

Similarly, the State Advisory Committees will complete various projects, progress with others, and plan new ones in FY 1987 as they continue to carry out their mandated roles. Details on these projected FY 1987 activities also are provided in our submission.

I believe that the work of the Commission and its 51 State Advisory Committees remains important to the wellbeing of the Nation. I know that my colleagues on the Commission join me in that belief.

Mr. Chairman, that concludes my opening statement. I will be pleased to answer questions concerning the program plans we have proposed or the work of the Commission in general.

U.S. COMMISSION ON CIVIL RIGHTS

Summary of Budget Estimates:

	Positions	Amount (Thousands
Appropriation, Fiscal 1986 (after P.L. 99-177)	236	$11,771
Base Adjustments:		
Gramm-Rudman-Hollings	...	529
Standard level user charge	...	39
Per Diem allowance revision	...	46
Personnel compensation and benefits ...	-3	71
Inflation for non personnel object classifications	...	120
Base for Fiscal 1987	233	$12,576
Fiscal Year 1987 Increases	...	...
Appropriation requested for Fiscal 1987	233	$12,576

UNITED STATES COMMISSION ON CIVIL RIGHTS

Witnesses to Appear Before the Senate Appropriations Subcommittee on State, Justice, Commerce, the Judiciary, and Related Agencies for Fiscal Year 1987 Estimates

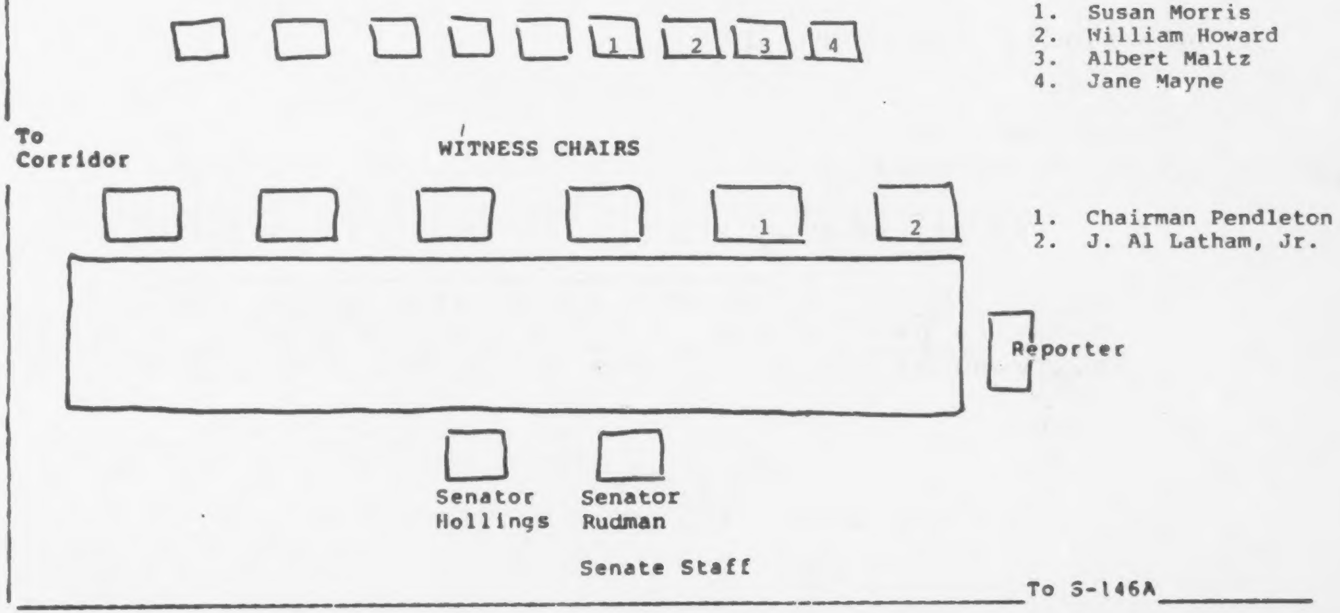
Witness	Accompanied by
Clarence M. Pendleton, Jr., Chairman	Susan Morris, Executive Assistant to the Staff Director
J. Al Latham, Jr., Staff Director	William Howard, Deputy General Counsel
	Albert G. Maltz, Assistant Staff Director for Administration
	Jane Mayne, Budget Officer

UNITED STATES COMMISSION ON CIVIL RIGHTS

UNITED STATES SENATE

APPROPRIATIONS SUBCOMMITTEE FOR DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY AND RELATED AGENCIES

Room S-146, U.S. Capitol


1
2
3
4
To Corridor
WITNESS CHAIRS
1
2
Reporter
Senator Hollings
Senator Rudman
Senate Staff
To S-146A

1. Susan Morris
2. William Howard
3. Albert Maltz
4. Jane Mayne

1. Chairman Pendleton
2. J. Al Latham, Jr.

INTRODUCTION OF ASSOCIATES

Mr. PENDLETON. Thank you, Senator. It is good to be back again.

I am accompanied by our new Staff Director, Mr. J. Al Latham, Jr., who has been on since about December, by Susan Morris, Executive Assistant to the Staff Director, Albert G. Maltz, who is Assistant Staff Director for Administration, William Howard, Deputy General Counsel, and Jane Mayne, who is our Budget Officer.

Senator, I just want to make one statement here. We have talked about the numbers. I just wanted to say that on page 3 of my testimony we talked about Gramm-Rudman.

Senator RUDMAN. In this committee it is called Gramm-Rudman-Hollings.

Mr. PENDLETON. As the Gramm-Rudman-Hollings.

Senator RUDMAN. Yes.

Mr. PENDLETON. I blew it. Excuse me. It is Gramm-Rudman-Hollings. It is in that we point out in the cover letter to the committee that this is a labor intensive agency. As a result we have 70 percent of our budget in personnel. Twenty percent is for fixed costs. As a small agency, 90 percent of our budget is devoted to nondiscretionary items.

It is obvious that the Gramm-Rudman-Hollings sequestration affects us. We have no intention of working on, at this point, a reduction in force. We think that cost cutting can be made within the existing budget. Hopefully, if we have the remaining program flexibility in the remaining years, we will be able to meet our statutory requirements if we have that program flexibility.

CORRESPONDENCE

If you don't mind, I'd like to now submit a letter for the record.

Senator RUDMAN. Yes.

Mr. PENDLETON. It is a letter to Mr. Don Edwards from Senator Hatch. I would like it included at this time, sir.

Senator RUDMAN. Yes; it will be included in the record at this time.

Mr. PENDLETON. Thank you, sir.

[The letter from Senator Orrin G. Hatch dated March 20, 1986, follows:]

United States Senate
COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510

March 20, 1986

The Honorable Don Edwards
Chairman
Subcommittee on Civil & Constitutional Rights
Committee on the Judiciary
House of Representatives
House Annex 1
Washington, D.C. 20515

Dear Don:

It is my understanding that you will soon hold hearings to examine the findings of the audit of the U.S. Commission on Civil Rights which you requested the General Accounting Office to undertake. Although I have not, despite requests, seen the results of the audit, I am concerned that it may lack the objectivity and careful methodology required of an effective oversight tool.

For instance, it is revealing that this audit was requested two years after the Commission was reconstituted, and that the requested period of the audit covers only the reconstituted Commission. This provides no standard of comparison between the two Commissions. For this reason, I have requested that this audit be expanded to cover more than simply the 1983-85 time period. This expanded study may clarify many reasons for current Commission practices. This expanded audit will not be ready for a few months. You may wish to consider a delay in release of the limited audit in order to get the whole picture.

The limits placed on some aspects of the audit are also revealing. GAO was forbidden to offer the Commission the customary 30-day period to review the draft report and submit written comments for inclusion in the final report. The GAO report manual discusses this 30-day review and comment procedure as GAO's "usual" policy. Over 75% of GAO's reports are reviewed by the audited agency. In fact, review by the audited agency is omitted only at the request of Members of Congress. Omission of the normal review and comment procedure may prejudice any chance to develop a complete, objective record. The final report is likely to be less thorough than GAO's normal standard.

Finally, additional doubt about the objectivity of this audit is created by the presence of Mrs. Rosslyn Kleeman as a project manager of the audit. As Chairman Pendleton has noted in letters to Comptroller Charles Bowsher, Mrs. Kleeman participated in a panel discussion on comparable worth and affirmative action in May 1985 while she was managing a review by GAO of the Commission's publication on comparable worth. She used that public platform to criticize the Commission and make statements about the positions of individual Commissioners. GAO, in a July 3, 1985 letter to the Commission, acknowledged "GAO's general policy is not to disclose in such a public forum our tentative conclusions while our work is still underway. I can therefore appreciate your concern, especially since our report was not released...until...two weeks after the panel discussion." This creates the unseemly appearance that the audit is proceeding under the direction of an individual with a preexisting bias against the Commission, its Chairman, and some of its Commissioners.

Although Congressional use of the General Accounting Office is a time-honored way for Congress to conduct oversight, I have serious concerns about the apparent flaws in this study. Again, I would note that some of these apprehensions may be cured upon release of the more complete audit covering the broader period of 1978-1983. I respectfully encourage you to await this standard for comparison before relying too heavily on the limited GAO report.

Sincerely,

Orrin G. Hatch
United States Senator

REPORT ON AGENCY ACTIVITIES

Senator RUDMAN. Go ahead, Mr. Pendleton.

Mr. PENDLETON. With that, let me just stop and entertain your questions.

Senator RUDMAN. Well, let me just start off by saying that, of course, we were all very aware even before the GAO report came out about some of the criticisms of the agency and its practices.

Now, let me talk a little bit about that report at this time.

Mr. PENDLETON. Yes, sir.

Senator RUDMAN. The report generally addressed personnel practices, consultant practices, travel, billings, financial disclosures, compliance with the earmarks of the fiscal year 1985 bill. I understand that the Commission feels that it hasn't been given an adequate opportunity to comment on that report.

Since we are going to have to deal with this issue as part of the appropriations process or function this year, I want to discuss some of those issues and give you the opportunity to respond to this in any way that you would like to.

Mr. PENDLETON. Yes.

Senator RUDMAN. Let's take the area of consultants, temporary personnel and schedule C employees.

Mr. PENDLETON. Yes.

Senator RUDMAN. As part of the report requested by the House, the committee of the House, there is an increasing reliance on consultants, temporary and schedule C appointees. That total salaries for temporary, part-time, consultant, schedule C employees increased from $280,000 in 1983, and I am now rounding these numbers, to $785,000 in fiscal year

1985. Salaries for other employees decreased from $7.5 million to $7.3 million at the time.

Could you comment on that?

Mr. PENDLETON. Yes.

Senator RUDMAN. It seems like a rather remarkable increase from $280,000 to $785,000 and a half-million-dollar increase in temporary, part-time, consultants and the schedule C employees in 2 years.

Mr. PENDLETON. I'm going to defer this to Mr. Latham, Mr. Chairman.

Senator RUDMAN. Yes.

Mr. PENDLETON. I just want to make a comment on this in the beginning.

Senator, if you recall the debate on the Commission's existence amd nonexistence in 1983, they effectively, in a sense, shut down the Commission. We didn't get a bill until the last day. A lot of things were, to say the least, in chaos in terms of where the employees were in the agency. People didn't know where they were going to be on the next day then.

Some of this is based upon some of that. But for the details of this I will turn to Mr. Latham and his staff people.

Senator RUDMAN. We are talking about a 2-year period here.

Mr. PENDLETON. Yes, sir.

Senator RUDMAN. Mr. Latham.

Mr. LATHAM. Let me say, first of all, Mr. Chairman, this.

Senator RUDMAN. Before you answer the question, have you been with the Commission for some time?

Mr. LATHAM. Since December.

Senator RUDMAN. December?

Mr. LATHAM. Yes, sir.

Mr. Chairman, first of all, let me say that my remarks here will not be complete and definitive because of the procedural problems that you are aware of in the way that the GAO conducted this audit. The GAO did not give us a copy in advance. We got ours at about the same time that everybody else did.

As you know, the story broke yesterday with a hearing in the House.

Senator RUDMAN. Yes.

Mr. LATHAM. We are planning to provide a very, very detailed response to the allegations. That is going to take us some time because the GAO had worked on its report for months. It is going to take a little while for us to get the details.

Let me hit the highlights then addressing this question you raised.

Senator RUDMAN. Yes.

Mr. LATHAM. First of all, I would like to point out that GAO rejected the request of five Members of the Congress, including Senator Hatch, which was alluded to in the letter that is now made part of this record. This is to go back to 1978 looking at Commission practices, including personnel practices.

As I sit here today, I can't tell you candidly whether there has been an increase in the schedule C's over a long view of the Commission's history since 1978 or not. We are going to be looking into that.

The GAO has insisted on doing that part of the report of the five Members of Congress separately from the report that they released yesterday.

Now in terms of the general question of the use of the temporary schedule C's and consultants, I'd like to say this, and we had pointed this out to GAO, that the OPM regulations now encourage the use of temporaries, particularly in periods of fiscal restraints. Mr. Anderson, by the way, acknowledged that in his written testimony yesterday on page 11.

Furthermore, there is no claim that there was anything illegal or improper for the agency using temporaries, consultants and schedule C's.

Finally, I would say that I have no apology to make on behalf of the agency on the caliber and quality of consultants used.

One must bear in mind, as the GAO is well aware, that a consultant is not necessarily someone who is devoting full time and service to this agency.

A consultant may be a distinguished scholar, a distinguished professor, someone who spends 2 or 3 days in the course of a year acting as a consultant for us. I'm very proud to say that some of the type of talent that we have been able to attract as consultants is reflected by such names as Nathan Glazer, of Harvard, Professor Christopher Jencks, who is on leave currently from Northwestern University, and Professor Glenn Loury, of Harvard.

Now, these types of individuals are available to us on a consulting basis to help us with some of our projects, but would probably not, at any price, be available as full-time Government employees.

REPORT TO JUDICIARY COMMITTEE

Senator Rudman. I take it that you will supply this committee at the time that you supply the response to the GAO with a copy of that response that will detail why there was an increase of a half million dollars and also why you believe it was justified?

Mr. Latham. I would be absolutely happy to provide that to this committee.

[The information follows:]

STATEMENT OF
J. AL LATHAM, JR., STAFF DIRECTOR
BEFORE THE
SUBCOMMITTEE ON CIVIL AND CONSTITUTIONAL RIGHTS
COMMITTEE ON THE JUDICIARY
HOUSE OF REPRESENTATIVES
ON
A GENERAL ACCOUNTING OFFICE REPORT OF
MARCH 25, 1986

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear here today to respond to the review of Civil Rights Commission operations recently conducted by the General Accounting Office and publicized by this subcommittee. I regret to report, however, that I find the circumstances of the entire GAO investigation and oversight process disappointingly irregular and partisan.

A Political Hatchet Job

Since it was first created in 1957, the Civil Rights Commission has more than once had its integrity impugned for political reasons. The first such attack came just months after publication of the Commission's landmark First Report in September 1959 -- a report which authoritatively detailed the discrimination against blacks then prevalent throughout American society and gave strong, unambiguous support for principles of equal protection under the law. Unable to block a temporary extension of the Commission's life, Southern Senators initiated an inquiry into its operations startlingly similar in origin and spirit to the one we are here today to discuss. It was alleged then, as now, that the Commission had circumvented civil service requirements in hiring staff personnel. It was charged then, as now, that the agency's leadership was guilty of malfeasance, and a scrutiny of accounts by the General Services Administration was begun in an attempt to find supporting evidence. Commission staff were then, as now, summoned to Congressional hearings, subjected to accusatory questioning, and prevented from performing the civil rights work for which they had been appointed.

Today, in a very different world, the U.S. Commission on Civil Rights is again investigated, at the behest of members of Congress who are politically hostile to the agency's work. This investigation is a mockery of true government oversight because the investigation has been twisted and pulled into an artificial form that largely predetermines GAO's conclusions.

The four Congressional requesters of the current report brushed aside a request by five other Congressmen and Senators that the report's scope be extended back to 1978 -- an extension that would have demonstrated that management has improved substantially since the Commission was reconstituted in 1983. Until the GAO investigation was completed, the four Congressional requesters would not allow the Commission to know what allegations had been made against it. The four Congressional requesters also directed GAO not to follow its own longstanding, usual, and basic procedures for ensuring accuracy and fairness. Specifically, they ordered GAO to deny the Commission the right to review and make written comments on the draft report and have its comments reflected in the final version. Finally, the Chairman of this subcommittee did not invite the Commission's testimony at the hearing at which GAO's findings were issued, thus ensuring a big media splash for uncontested charges. As is well known, answers draw less attention than charges, especially when steps are taken to assure that the answers not be heard at the same time the charges are made.

It appears that one object of this carefully orchestrated GAO investigation and oversight process is the manufacture of hollow scandal with which to justify a push to abolish the U.S. Commission on Civil Rights, not unlike the first assault of almost 30 years ago. At least one of the requesters, a member of this subcommittee, has already used the GAO's findings to urge her Hill colleagues to "get rid of" the Commission. One doubts that such critics feel that the work of the Commission is largely done. One suspects instead that they cannot brook its current findings and policies.

Not surprisingly, therefore, the charges and conclusions contained in Mr. Anderson's testimony here last month are largely the product of the partisan structure imposed on GAO's investigation. In the attachments to my statement will be found detailed, point by point rebuttals and explanations for the implied improprieties and deficiencies with which the U.S. Commission on Civil Rights has been charged. Here I will address in summary fashion the most important of them.

Empty Charges of Improper Personnel Practices

It has been alleged that since its 1983 reconstitution the Commission has systematically hired noncareer employees in place of career staff. Although GAO admitted in its oral briefing of the Commission that it does not contend Commission hiring practices have prejudiced the rights of career employees, GAO has nevertheless conveyed the false impression in its report that we have stocked our rolls with unqualified ideologues. For evidence, GAO has produced a jumble of numbers it clearly does not understand. The report says that 212 noncareer employees were hired by the Commission in the period under review, for example, as against 60 career appointments, and that 73 of those 212 were still at the Commission last December. These numbers are wrong. The Commission has not hired 212 noncareer employees since October 1982; it has taken 212 personnel actions, which involved at most 188 employees, and probably far fewer. And of the 73 employees still at the Commission (as of the end of the reporting period, December 31, 1985), only 9 were in full-time temporary outside-the-register positions. Nearly all of the rest were consultants working, for the most part, less than 3 days a year; special assistants to the Commissioners, working intermittent or part-time schedules; or part-time "bona fide students." The 9 temporary appointments were legally proper, consistent with sound management practices, and in conformance with an official OPM policy that encourages all Federal agencies to employ temporary workers whenever possible. GAO was made aware of OPM's policy but failed to address it in its report.

What would the requested extension in scope of the audit have revealed about Commission personnel practices before 1983? As noted, in the 39 months now under review, this Commission made 212 non-permanent personnel actions. In the preceding 39 months, the old Commission took at least 271 such actions; exact figures are difficult to reconstruct because the agency's official personnel records for the period are in GAO's hands, but probably as many as 290 such actions were taken. Among them were at least 14 more consultant appointments than the present Commission has made, and 65 more temporary appointments. Similar management, in other words, and hardly unusual, but cause for a major agency audit when pursued by the present Civil Rights Commission. Could it be that GAO, reflecting the aims and ideas of the Congressional requesters, objects not to our practices but to our policies?

GAO has made other allegations of improper personnel procedures at the present Commission that are demonstrably false:

o GAO has criticized the violation of regulations that do not exist. It has charged the absence of documentation in appointment records that in fact no Federal agency is required to keep. GAO notes, for example, two temporary appointments made from job announcements lacking opening dates. These positions were filled under regulations requiring no formal announcement and thus no formal opening date.

o Similarly, because it wrongly claims that none of 31 Commission consultants' personnel files contains sufficient documentation, GAO would have this subcommittee and the public believe that it is unable to determine whether Professors Nathan Glazer, Stephan Thernstrom, and Glenn C. Loury of

Harvard; Claudia Goldin of the University of Pennsylvania; Jacob Mincer of Columbia; Barry Chiswick of the University of Illinois; Christopher Jencks of Northwestern; Bernice Sandler of the Association of American Colleges; or any of a dozen other equally distinguished scholars -- quote -- "possessed the necessary background to render advisory services to the Commission" -- unquote. The General Accounting Office owes these men and women an apology.

- GAO charges that five consultants performed operating duties contrary to OPM instructions. In two cases it was the Commission itself that discovered the difficulty and corrected it, long before the GAO began its investigation. As to the other three instances, it should first be noted that GAO evaluators did not even speak to one of the individuals concerning the duties she performed while a consultant. In another case, GAO auditors spoke only about duties performed after the employee's appointment to the career civil service. In the third case, GAO spoke to the employee about the duties performed as a temporary employee. When it became apparent to the employee that GAO was confused about when her services as a temporary employee began, the employee informed GAO of the timing of the event and pointedly remarked that her duties had changed, not only in degree, but in kind, when she ceased being a consultant and began service as a temporary.
- GAO alleges that the Commission has failed to use written qualification standards for Schedule C appointments and promotions, and it offers several examples as worthy of scrutiny. GAO neglects to mention that 5 C.F.R. 302.101(c)(7) specifically exempts Schedule C appointments from the appointment procedures of Part 302 of the Civil Service Regulations.
- GAO claims to have discovered eight "special needs" appointments lacking justifying documentation. Until quite recently no requirement for such documentation existed. From

the day a requirement was imposed by OPM, all Commission special needs appointments have contained requisite documentation.

- GAO refuses to acknowledge overwhelming evidence that the Commission has complied fully with Federal regulations governing notification to State employment agencies of job openings. Written documentation in our case files that all appropriate offices have been so notified does not satisfy GAO auditors, nor do slips from such agencies attached to our applications, nor do copies of letters from our personnel office to those agencies.
- GAO admits that anonymous charges that new hires have been promoted and given awards more often and more substantially than career employees seem groundless, but cannot resist suggesting that "this pattern could be changing." We are surprised at this wording. During GAO's oral briefing of the Commission, Mr. Anderson confessed that any perceived change was "not statistically significant" and promised that "the offending phrase shall be struck." We are happy to make a belated correction for him now.

Read properly, incidentally, the transcript of that briefing, which we are prepared to make public, is an instructive summary of personnel practices at the Civil Rights Commission. Consider this exchange: "You are not contending that our hiring consultants, temporary employees, and Schedule Cs is improper?" I asked Paul O'Neill, the GAO Group Director supervising our audit. "No," he replied, "absolutely not."

Empty Charges of Improper Operating Procedures

There is more to the report than personnel practices, of course. Two incidents involving Chairman Pendleton are claimed to involve some metaphysical transgression of anti-lobbying restrictions. In the first instance, GAO is forced to admit that no law or regulation prohibits the Chairman of the Commission from expressing views on matters that the agency has not yet officially addressed. In the second instance, GAO sees fit to charge Chairman Pendleton in its summary presentation with appearing to exceed the limits of acceptable official speech, but does not adequately explain the difference between permissible and impermissible speech in the two instances. In fact, in the second instance, the Chairman was communicating officially adopted Commission policies on the so-called Grove City issue.

What, by the way, might the requested extension of GAO's audit have revealed about the Commission's lobbying activities before reconstitution? Did the old Commission's 1981 release of an official statement urging passage of the Equal Rights Amendment -- a statement it paid the National Organization for Women's Legal Defense and Education Fund more than $17,000 to draft for it -- test the strength of regulations restricting lobbying by government officials? How does Chairman Pendleton's exercise of free speech compare with that? And what does that say about the old Commission's much-vaunted "independence" prior to 1983?

Much of GAO's information concerning the Commission's State Advisory Committees has been delivered to this committee at previous hearings. But it remains instructive to have a clear look at it. GAO notes the racial and gender makeup of the reconstituted SACs and observes that each committee is now limited to 11 members. As the report itself suggests, larger committees are wasteful of public funds, and smaller ones garner better attendance and attention. GAO records a new complaint that some regional Commission officials have been forbidden to confer with the SACs in their jurisdictions. This is untrue and ridiculous on its face. Our regional representatives speak with SACs in their jurisdictions every day and could not otherwise do their work.

Acknowledging the introduction in FY 85 of a new form by which SACs advise the Commission -- the briefing memorandum -- and admitting that such memoranda are an alternative to formal reports, GAO nevertheless complains that formal reports have been released far less frequently since FY 84. GAO notes the completion of 24 briefing memoranda in FY 85, but fails to announce the expected completion of a similar number over the course of FY 86.

It is important to remember that SACs exist to advise the Commission, not to write for it. GAO seems quite ignorant about that principal function. "Factfinding meetings," says their report, have declined in number from 12 in 1983 to 0 in 1985. Furthermore, GAO claims, no "factfinding meetings" are listed in our FY 87 budget submission. Have the SACs stopped finding facts? No. Our FY 87 budget submission included SAC meetings aimed at factfinding--or community forums as they are also known--under the heading, "Planning Meetings." The SACs typically sponsor their community forums as part of their planning meetings, and these activities are documented in the FY 85 Federal Advisory Committee reports submitted to the General Services Administration. The numerous community forums held in 1985 and the briefing memoranda and reports that resulted conclusively establish that any claimed curtailment of SAC factfinding is illusory.

GAO resuscitates an old charge that a former Commission Staff Director made personal use of an official agency automobile. Despite written statements denying the truth of the report's anonymous, uncorroborable allegation, GAO treats both charge and rebuttal as equally worthy of attention and respect. I am appalled by the aroma of presumed guilt that permeates GAO's entire report, and it nowhere smells worse than here. I told Mr. Anderson as much during his oral briefing of Commission staff. "Your point is well taken," he answered, and he assured me that "we will eliminate it." They have not eliminated it.

Empty Charges of Financial Mismanagement

Most serious, of course, are allegations of financial mismanagement. I have read in the papers that Congresswoman

Schroeder thinks the GAO report makes it "very clear" that the Commission "squanders" its small appropriation and fails to do its appointed work, that the Commission is a fiscal "disaster." One of our own Commissioners, Mary Frances Berry, has publicly claimed that Chairman Pendleton and former Staff Director Linda Chavez "used the agency as if it were their private cookie jar." Because such very serious charges affect the reputations of public men and women, and because the evidence offered to support them is specious and insubstantial, I am surprised that they are made so casually.

Where do they come from? In the first place, it is alleged that the Commission's financial recordkeeping is in poor order. We discovered the condition of our financial records during a files check following adverse actions taken early last year against the two Commission staffers principally responsible for their maintenance: the budget officer and voucher examiner (both career civil servants). GAO was informed of these circumstances, and was told also of the transfer during the first half of FY 85 of the then Assistant Staff Director for Administration (also a career employee). Since these personnel actions were taken, no new problems with financial recordkeeping have been brought to our attention, and the new budget officer and Assistant Staff Director for Administration (both career civil servants) have been working to clear up the residue of past problems.

Stories that have appeared in the media about a missing $175,000, or about mysteriously altered timecards -- stories derived from GAO's report -- are false in tone and substance, and do harm to the reputations of innocent civil servants.

It is alleged, for example, that the Commission improperly adjusted its overhead allocations to stay within budget activity earmarks imposed by Congress. This is not true, and the GAO acknowledges quite clearly that it "cannot say that the Commission did not comply with the 1985 earmarks." But the report goes on to imply just the opposite. It suggests that the Commission included printing costs in Overhead rather than in Publication Preparation and Dissemination in a deliberate attempt to avoid exceeding its earmark for the latter activity. In fact, we have simply followed historical precedent (for which abundant documentation was provided to GAO).

GAO suggests that the Commission is unable fully to account for $421,000 it was permitted to shift from other budget activities to pay for a third FY 85 hearing on housing discrimination. Because this hearing was delayed until the second month of FY 86, the Commission returned $112,000 to the Treasury at the end of FY 85. $83,000 had already been incurred in direct salary charges and benefits attributable to the housing discrimination hearing. The remaining $226,000, including $51,000 in overhead, is attributable to other "hearings, legal analysis and legal services" budget activity operations.

GAO questions the $83,000 salary figure, strongly suggesting that the Commission's General Counsel improperly changed his own and several others' time charges before responding to its questions about such salary allocations. Not so. When our figures -- projected salary costs in the Office of the General Counsel for the housing project -- seemed to the Director of our Office of Management to have been significantly underestimated, he asked the General Counsel to investigate. The General Counsel discovered that none of his own or his Deputy's quite extensive time spent preparing for the hearing had been charged to its account, and that no account number had been assigned to the project until quite late in FY 85. He thereupon revised (up from zero) his own office time charges and those of his Deputy. Three other staff members' time charges were amended, and an explanatory memo from the General Counsel was attached to all the sheets. The changed figures involved only working, in-house documents -- not official time cards or payroll records -- which did not form the basis for any actual payments, either of salaries, bills, or travel expenses. No impropriety, in short, was committed or contemplated. There is no missing money at the U.S. Commission on Civil Rights.

It was alleged that our Chairman, Mr. Pendleton, was billing the Commission on an almost full-time basis for "what were thought to be part-time positions." Thought by whom, Mr. Chairman? The GAO states in its report that there is no limit on the number of days Commissioners can work each year. The GAO also states that no Commissioner's government salary is greater than 50% of his or her total reported income. And in the oral briefing, GAO made it clear that there is no claim any Commissioner has been paid for time not actually worked. But GAO's report engages in what can only be termed a smear of Chairman Pendleton. An unrelated SBA investigation, it tells us, "raises questions" about the accuracy of Mr. Pendleton's reporting of outside income. Yet GAO refuses to say what those questions are. GAO should have left rumor and innuendo like this out of its review of Commission operations.

Finally, there is the matter of official travel. GAO has investigated charges that official travel at the Civil Rights Commission has been on the rise, and that it has been indiscriminate and unusual, involving unauthorized overseas visits and first class accommodations. What has the GAO found? "The number of trips taken by all the Commissioners remained relatively constant" over the entire review period, GAO's report concluded. This despite the fact that the number of Commissioners increased from six to eight in FY 84. In fact, GAO is forced to report that in at least one Commission office -- that of the General Counsel -- travel has actually declined. A slight increase in total Commission travel costs (including that for staff) is observed, and is to be expected due to inflation.

One Commissioner travels first class for medical reasons certified by a physician and approved by a previous staff director. One overseas trip was made by a Commission staff director during the reporting period. GAO finds nothing to complain of in either instance: "We were advised by the [General

Services Administration] staff that Commission personnel, including the Commissioners' Special Assistants, and Staff Directors, have generally been in compliance with GSA travel regulations." So much for charges about official travel, one would think.

But GAO has gone on to allege that the acceptance by our Commissioners of reimbursement by certain outside sources for travel expenses incurred in the course of official business constitutes an unauthorized augmentation of our agency's appropriations. This charge has led to false and malicious news reports suggesting that certain Commissioners have improperly accepted payments from business interests.

In fact, under the Commission's authorizing statute, Public Law 98-183, Commissioners are explicitly exempted from that section of the U.S. Code governing the acceptance by government officials of travel expenses from outside sources. The Commissioners acted in accordance with the Commission's regulations and on the advice of the Commission's Solicitor and ethics officer, a career employee. The Commission as an agency has accepted no reimbursements from the outside sources in question. Therefore, no augmention of Commission appropriations by means of outside funding of travel has occurred, nor has any Commissioner acted improperly in accepting travel expenses. "Are you raising any allegation of conflict of interest in the acceptance of travel money?" I asked GAO's Paul O'Neill on March 18, 1986. His answer was simple: "No."

The Federal statutes, regulations, and memoranda relevant to official travel at the Civil Rights Commission are cited in the attachments to this statment, and the law as properly interpreted is explained there in full.

Conclusion

In sum, the General Accounting Office report, controlled to a significant degree by the four members of Congress who requested it, is biased, presumes guilt in the absence of evidence, is riddled with mistakes and half-truths, and fails to highlight a single deliberate violation of law, statute, or regulation, or a single ethically improper act. Referring to members of Congress who request that GAO conduct particular audits, Mr. Anderson of GAO told me in our briefing, "[I]ncreasingly... we're their creature totally rather than doing our own thing." In this instance, Mr. Chairman, I am forced to agree.

ATTACHMENTS TO STATEMENT

EMPLOYMENT TRENDS IN THE U.S. COMMISSION ON CIVIL RIGHTS

GAO has produced an extensive collection of statistics designed to determine whether Commission "consultants, temporary, and Schedule C employees were hired in place of career staff, leaving career positions vacant." It has concluded that "a large proportion of the employees hired since the Commission's reconstitution were in these three noncareer categories" and that "they were, in fact, hired instead of career staff."

The terms in which this question have been framed are unfair; the information and statistics marshalled in support of GAO's conclusion are misleading and ahistorical; and the conclusion itself is false.

Unfair and Misleading Terminology

To begin with, the Commission's personnel office objects in principle to the use of the term "noncareer" -- which has been interpreted by GAO's Congressional requesters as synonymous with "political" -- to cover the broad category of its "other than permanent" appointments. Although technically many of the appointments with which GAO concerns itself are "noncareer" in that they do not convey "status" to employees, the term "noncareer" is understood by most Federal government personnel officers and by the public at large to connote Schedule C or "political" appointments. To characterize the 212 appointments as GAO has as "noncareer" is therefore highly misleading. And, not surprisingly, GAO has been fully inconsistent in its use of the term. Appointments to positions like Attorney Advisor, which should be "noncareer" by GAO's reckoning in that they do not convey status, have not been included in the report's count of "noncareer" appointments.

Moreover, GAO's use of the words "hires" and "hired" artificially inflates and exaggerates its statistics and suggests the existence of "trends" which are in fact chimerical. What does it mean that the Commission has "hired" its "noncareer" employees in place of career staff? "During the first 3 months of fiscal year 1986," the GAO report asserts at one point, "the Commission hired 10 temporary and 5 Schedule C employees, bringing the total number of noncareer employees hired since fiscal year 1983 to 212." Does this mean that the Commission hired 15 new employees in the first 3 months of FY 86? No. Rather, 15 personnel actions occurred, most of which involved individuals already on the employment rolls. Of the GAO's "212 hires," at least 24 were personnel actions involving persons already employed by the Commission; because of GAO's deceptive use of employment categories, we are unable to determine how many more of the remaining 188 personnel actions involved the same employees, but we suspect a considerable further "double counting" has occurred.

For example, GAO finds that 73 of the Commission's 212 "noncareer" appointments involved individuals still employed by the Commission as of December 31, 1985, the end of GAO's reporting period. But only 9 of these individuals served in fulltime temporary outside-the-register positions; almost all of the remainder were consultants working, for the most part, fewer than three days a year; special assistants to the Commissioners working intermittent or part-time schedules; and "bona fide students" working part-time schedules.

GAO has contrasted its "73" "noncareer" employees with "55" permanent career positions reported unfilled at the end of fiscal year 1985. The Commission did not and does not have 55 unfilled permanent career positions. The Commission has a Fulltime Equivalency (FTE) allocation of 236. At the end of fiscal year 1985, we had 181 permanent employees. GAO has subtracted one number from the other to arrive at its misleading "55 vacancies" figure.

Most Federal agencies operate under an FTE allocation, but the number does not represent the number of actual positions each agency is required or allowed to fill as GAO apparently believes. At the U.S. Commission on Civil Rights, the only position "vacancies" are those for which approval has been granted to recruit and ultimately to hire. The departure of an incumbent to a position does not necessarily create a vacancy, and the number of employees on hand at a given time does not reflect the number of FTEs already or yet to be expended. For the year ending September 30, 1985, the Commission expended 212 FTEs. Hiring 55 additional fulltime permanent employees, as the GAO suggests would be proper, would in fact place the Commission in a position of regulatory noncompliance, and would exceed its alloted number of Fulltime Equivalencies by 31.

Use of Statistics Without Benefit of Historical Comparisons

Repeated requests to GAO that it concurrently review with those at the current Commission personnel operations at the former Commission for purposes of comparison were rebuffed. In the absence of such a review, it has been publicly suggested that personnel operations and employment trends at the reconstituted Commission as "revealed" in GAO's report are somehow "unusual." A look at pre-reconstitution Commission practices makes clear that such suggestions are inaccurate and untrue.

GAO found that for the 39-month period ending December 31, 1985, the Commission made 212 "noncareer" appointments, and has strongly suggested that they were in some way political, improper, and in lieu of otherwise permanent, career appointments. In the 39 months immediately preceding GAO's review period, the Commission made at least 271 such appointments. The official personnel records for this period are in GAO's hands, making exact figures difficult to reconstruct. Additionally, during the period between July 1, 1979, and September 30, 1982, the Commission routinely failed to make and document Schedule C appointments properly. The Commission's personnel office has concluded that 20 or so unidentified Schedule C appointments were made during the 39 months ending September 30, 1982, bringing the total "old Commission" number of "noncareer" appointments to around 290. This figure is more than one-third again larger than that for the present Commission.

GAO found that for the 39-month period ending December 31, 1985, the Commission employed 41 consultants. In the 39 months immediately preceding GAO's review period, the Commission made at least 55 consultant appointments. One consultant appointed during this previous period was later converted to a permanent position; another received his consultancy immediately following his separation from a permanent position.

GAO found that for the 39-month period ending December 31, 1985, the Commission made 151 temporary appointments. In the 39 months immediately preceding GAO's review period, the Commission made at least 216 such appointments.

GAO found that for the 39-month period ending December 31, 1985, the Commission made "only" 60 career appointments. In the 39 months immediately preceding GAO's review period, however, although the Commission had benefit of an FTE ceiling always more than 10% higher than it has been at any time since, and although at least 93 permanent employees left the agency during this earlier period, the Commission made only 67 career appointments. Nearly 20% of these "career" appointments were conversions of temporary employees to permanent positions without a break in service.

GAO found that for the 39-month period ending December 31, 1985, the Commission made 21 "special needs" appointments. In the 39 months immediately preceding GAO's review period, the Commission made almost as many -- at least 16 -- such appointments. In at least two cases, special needs appointments were given twice to the same employee in less than one year. At least one employee was converted directly from a special needs appointment to another temporary appointment.

The only conclusion that can be drawn from the above comparison is that since October 1, 1982, the Civil Rights Commission has relied to a much lesser extent on temporary, consultant, and Schedule C appointments than did the previous Commission. In fact, 38 of the 212 such appointments charged by GAO to the present Commission actually involve employeeswhose initial Commission appointments began during the pre-October 1, 1982, period.

No trend toward other than permanent appointments, in other words, can be accurately discerned at the Commission. Moreover, asked at an oral briefing on March 18, 1986, at Commission headquarters what evidence GAO had that might show such appointments to have acted to the prejudice of any career employees, Paul O'Neill, the GAO Group Director supervising the Commission's audit, admitted that none existed. "We didn't say that," he replied.

It is important to make clear, however, that the Commission's personnel office considers the use of such appointments to be judicious, prudent, efficient and effective. Many of the Commission's activities involve projects or studies of limited duration requiring a very particular expertise; permanent appointments, given such needs, are wasteful of public funds and limited Commission resources. The use of temporary appointments reduces the need for reductions in force once a given project has been completed, permits the Commission to deploy its skills and expertise as projects demand, allows for more punctual recruitment, and costs less. Moreover, since the Commission's authorizing statute will expire in 1989, unnecessary increases to its permanent staff seem ill-advised.

Finally, the Commission's use of other than permanent appointments is in conformance with the encouragement of the Office of Personnel Management (OPM) to all Federal agencies to make greater use of temporary employees. OPM Federal Personnel Manual (FPM) letter 316-21, dated January 2, 1985, sets forth OPM policy on temporary employees, identifies their advantages to Federal agencies, and encourages their use.

Misleading Statistics and Information

Throughout its report, GAO presents its statistics and information out of context and without relevant and important explanation. For example, GAO asserts that "the number of consultants more than doubled while the number of Schedule C employees increased nearly four-fold from 1983 to 1984. During this time, the number of temporary employees increased by about one-third."

The following facts about this supposed "phenomenon" were available to GAO but were omitted from its report:

1. In the last quarter of FY 83 alone, the Commission released at least 6 consultants and 15 temporary employees in advance of an agency "shutdown" scheduled to begin October 1, 1983. The great increases in other than permanent appointments GAO has discovered are largely explained by the Commission's "rebirth" after the beginning of FY 84.

2. By OPM regulation, "summer hire" appointments terminate on their own force effective September 30 of each year. GAO's figures do not include such employees at the start of this sample period, but do include them for the finish, thus exaggerating the audit's invented "trend."

3. As previously indicated, the old Commission regularly and improperly encumbered Schedule C positions with "career" employees through such devices as "temporary promotion" and Schedule A attorney advisor authority. Although GAO was specifically advised of this, GAO's report does not include employees who were serving in such appointments on October 1, 1983, in its count of Schedule C staff.

4. GAO does count individuals on Intergovernmental Personnel Act (IPA) detail from universities and other institutions for 1984 and 1985, although the Commission's IPA positions were not chargeable against our Fulltime Equivalency (FTE) allotment and IPA detailees were not our employees.

GAO has, in other words, spared no effort to present its findings in such a way as to create the false impression that the Commission's other than permanent appointments have dramatically increased since October 1983. GAO's presentation of salary data for other than permanent employees is skewed in precisely the same manner.

USE OF CONSULTANTS, TEMPORARY, AND SCHEDULE C EMPLOYEES

Consultants

GAO claims to have found procedural violations of OPM requirements in each of the 31 consultant appointments made by the present Commission it has examined. In order, these "violations" are:

I. "None of the files contained a statement of the consultants' duties and responsibilities." This charge is untrue. During the conduct of GAO's audit, GAO's examiners questioned the depth of detail these statements provided, not whether such statements existed or were available. The Commission has historically used only brief statements of duties and responsibilities when describing the tasks to be performed by consultants/experts. Commissioner Berry, for example, was appointed to a consultancy pending her confirmation in 1980. The description of her duties and responsibilities read simply: "until confirmed, I would like to utilize [Dr. Berry's] expertise on program and policy matters." Each of the 31 consultants' files in question contains a statement of duties and responsibilities at least as detailed as that for Commissioner Berry.

In addition to material filed in official personnel folders (OPFs), GAO had available to it a number of source documents concerning the duties and responsibilities of our consultants. GAO was provided copies of the agency's "Quarterly Report on Consultants and Experts." The Commission also had available for GAO review budget information and subject matter files concerning our use of consultants.

We doubt, in any case, that "insufficient information" has caused GAO serious alarm; based on such information, GAO has drawn dozens of conclusions.

II. "None of the files contained the required certification that the consultants' Statement of Employment and Financial Interests had been reviewed and determinations made that no conflicts of interest existed." However, GAO failed to note that Employment and Financial Interest statements had been obtained from every consultant and expert, were on file, showed no apparent conflicts, and were provided to GAO for review in the course of its audit. GAO failed to discover a single conflict of interest involving a Commission consultant or expert.

III. "Twenty-one of the consultants' appointments were extended when their initial appointments expired. In none of the 21 cases was the required documentation on the personnel action forms showing the number of days worked under the original appointments." Throughout its audit report, GAO complains of failure to maintain "required" or "mandatory" records or certification that are nowhere in the Federal government either "required" or "mandatory." OPM regulations require that personnel action documents reflect the number of days worked under an original appointment when action being taken involves "conversion to new excepted appointment" without a break in service. But the actions at issue were not conversions; they were extensions. There is no such requirement for extensions. If there were one, its sole purpose would be to ensure that consultants given "intermittent" appointments did not exceed the 130 days limitation on such appointments. GAO failed to note that the Commission's monitoring system permits it to obtain such information on a quarterly basis.

IV. Four of the 31 consultants worked at least "substantially full-time" during appointments supposed to be "intermittent." There is no impropriety involved in such work scheduling. A consultant is given a "temporary appointment" if it is anticipated that he will work more than 130 days in the 12 months following his initial appointment. If it is anticipated that he will work fewer than 130 days in that 12-month period, however, he is given an "intermittent appointment." But intermittent appointments do not preclude their holders from working "fulltime" as commonly understood, nor must consecutive work days be avoided to comply with the law. GAO seems ignorant of the relevant regulations. Its report states at one point that "intermittent employment is occasional or irregular employment on programs, projects, and problems requiring intermittent services as distinguished from continuous employment." Not so. Chapter 304.1-2(5) of the Federal Personnel Manual reads: "Intermittent employment means (A) occasional or irregular employment (B) on programs, projects, problems, or phases thereof, requiring intermittent service." No mention is made of a distinction between intermittent and continuous employment. GAO has also misrepresented the FPM by claiming that OPM requires "strict adherence to the 130-day limit." The same chapter provides that "when an intermittent expert or consultant works more than one-half of full-time employment, i.e., he or she is paid for all or any part of a day for more than 130 days in a service year, the employment automatically ceases to be intermittent and becomes temporary." Even under such circumstances, OPM rules permit the reappointment of the expert or consultant in the next service year as an intermittent employee. Clearly, OPM recognizes and has made provisions for the possibility that the work required of a consultant or expert may exceed initial expectations. Finally, GAO insists that "if at any time, it is determined that the employee's work is no longer intermittent in nature, the employment must be terminated immediately." In fact, such a rule applies only to (1) intermittent appointments which follow temporary appointments, and (2) intermittent appointments which follow other intermittent appointments which have been automatically converted to temporary ones.

V. GAO claims that for "none" of the consultancies in question was it possible to "adequately evaluate their qualifications for their assignments." This charge is preposterous. Among our consultants are scholars known internationally for their knowledge of the subjects we are investigating. Is Nathan Glazer, for example, unqualified to advise the Civil Rights Commission on the subject of affirmative action in higher education?

VI. GAO describes five consultancies which it claims are "considered by OPM to constitute illegal employment." Judging by the details of GAO's first such case study, this charge seems to be based on error and ignorance. "In our opinion," their report reads, the appointment of this consultant "was a questionable use of the consultant and temporary appointment authorities to avoid competitive employment procedures." The Commission appoints its consultants under its appropriation statute, Public Law 98-183, section 6(a)(3), as authorized by section 3109 of Title 5, U.S. Code. Federal Personnel Manual Chapter 304.1-5b states that "(u)nder this statute agencies may, when authorized in an appropriation or other statute, employ experts and consultants temporarily (one year or less) or intermittently without regard to the laws for the competitive service, position classification, and the General Schedule pay grades" (emphasis added). Since appointments of consultants are thus explicitly exempted from the operation of competitive employment regulations, GAO's charge is based on nonexistent requirements and is without merit.

In an effort to establish that "Consultant A" performed operating duties outside the proper activities of a consultant, GAO relies primarily on a "summary of duties" written by the consultant herself and contained in a subsequent application. Since Commission management assigns consultant duties, the consultant's supervisor's description of her duties -- consultant "will provide advice and opinions on problems and questions presented by the Commission concerning the Incomes of Americans project" -- might seem a more appropriate basis for judgment. GAO did review this document, dated November 8, 1984. But its report prefers to use the consultant's own self-description, stating that her "duties were described as including 'overseeing' and 'frequent supervision'." These may indeed seem to be operating duties. But are they? In the SF 171 self-description in question, the consultant stated that she was responsible for "overseeing the analysis of enrollment trends" and the "frequent supervision of [a] research assistant." These two duties, especially in the context of her supervisor's description, are not necessarily inappropriate for a consultant.

In order to suggest "questionable qualifications to provide consultant services" in this case, GAO is forced to argue that consultant work, to be appropriate, must be equivalent to a higher grade than GS-11, the one at which "Consultant A" was paid. In fact, grade level is not an "indication" of appropriate use of a consultant appointment. Such an argument is in no way supported by regulations. Undeterred, GAO quotes from OPM's Economist Series Position Classification Standard (GS-110, GS-13 level, pp. 30-31), which "describes the GS-13 consultant economist work as 'the lowest level at which a professional economist in the Federal service is expected to provide technical advice which is relied on in decisions concerning official government action.... " GAO's report omits the rest of this quotation: " ... intended to affect important aspects of the economy of the nation." GAO would not, one assumes, be willing to suggest that unless an economist is able to provide advice that will lower the prime rate he is unqualified to serve the Civil Rights Commission as a consultant. Such an interpretation of proper consultancy duties travels far beyond anything contemplated by OPM's definition of "consultant" -- "a person who ... has a high degree of broad administrative, professional, or technical knowledge or experience which should make the advice distinctively valuable to the Agency."

Although nowhere reflected in GAO's report, the Commission's normal review processes had previously identified two of the five consultants as employees working outside the scope of their official appointments, and corrective action had been taken quite a while before the GAO investigation was initiated. We do not know how GAO has reached the conclusion that the remaining three consultants are or were performing unauthorized operating duties. GAO did not speak to one of the three. In another case, GAO only asked about duties performed after the employee's appointment as a career civil servant. In the third case, the employee pointedly informed GAO of the duties she performed as a consultant and informed GAO that her duties changed, not only in degree, but in kind, when she was appointed to a temporary position. The documented duties of these consultancies were well within the scope of those enumerated by OPM as appropriate. It is evident from GAO's report that its investigators relied for their conclusions on evidence provided by others who had no direct knowledge of the work performed during these consultancies.

Temporary Employees

To support its overall finding that "the Commission has improperly exercised its temporary employment authority," GAO makes a number of specific charges, all of them demonstrably false, misleadingly incomplete, or involving a failure to comply with nonexistent regulations:

I. GAO alleges that "the Commission did not have an applicant supply file policy specifying its temporary appointment procedures," and implies that OPM requires such a written, agency-specific document. Section 1-12c of FPM Chapter 333 requires agencies to "have available for inspection an up-to-date copy of the detailed procedures followed in maintaining the applicant supply system of the agency." But this could simply be the relevant FPM guidance, if the agency has not supplemented the FPM instructions. The Civil Rights Commission has not supplemented those instructions, and our personnel office has on hand the requisite up-to-date copies of the relevant FPM guidance. GAO indicts the Commission for failing to comply with nonexistent regulations.

II. GAO alleges that the Commission has improperly processed employment applications lacking date-stamps that might show when they were received. Not true. GAO may be correctly asserting that the Commission does not date-stamp its received applications mechanically; for reasons of cost, it was decided some time ago to forgo the purchase of a date-stamp machine. No regulation requires mechanical dating of incoming employment applications, however. GAO is aware that the Commission maintains a seriatum applicant receipt log and routinely hand-marks or manually date-stamps all received applications. FPM chapter 333, appendix A-2.b provides that "incoming applications should be date-stamped or have the date of receipt noted in pen and ink" (emphasis added). GAO's apparent dismissal, in several cases, of employment applications with receipt dates that are rubber stamped or marked in pen and ink is not supported by any existing regulation.

III. GAO complains that the Commission's vacancy announcements for temporary appointments contained "insufficient information ... on the qualifications required and application procedures to be followed." We are dumbfounded by this allegation. In every case, the notifications contained substantially more information concerning the qualifications required of the position than mandated by OPM regulations. The smallest description of qualifications in any of the notifications was 74 words long and included as advice the tip that "complete description including substitution of education for experience is in OPM handbook X-118." Potential applicants were given a name and telephone number (including a TDD number) from which they might obtain more information concerning the position. GAO's contention that these notifications contained insufficient information about "application procedures to be followed" is similarly incomprehensible. Every single notification included, at minimum, a statement beginning "How to Apply." At minimum, that statement read "Send SF171 (and college transcript if applicable) to above address." This statement more than meets OPM requirements.

IV. GAO charges that the Commission's announcement files contain insufficient documentation to demonstrate how applicant ratings have been derived. Here again, GAO misrepresents OPM requirements; no OPM requirement mandates "rating" applicants for a register of "temporary, competitive" positions. The only "rating" involved in such cases is a determination of basic qualification and/or membership in an appropriate "priority" group (disabled veteran, veteran, or non-veteran). The requirements for "rating" such applicants are established in FPM chapter 333.1-8 and 1-9 and Appendix A-2d. Insofar as "rating" is concerned, FPM chapter 333.1-1c(2)(c) provides only that "qualified and available applicants shall be considered for appointment in established priority order." Simply put, all qualified and available applicants are eligible for selection, except that a non-veteran may not be selected if a veteran is qualified and available, and a veteran may not be selected if a disabled veteran is qualified and available. The Commission's personnel office maintains complete documentation for these limited "ratings" requirements. The further documentation GAO is so eager for goes beyond the requirements of law or necessity.

V. GAO claims to have found past position announcements in our files that lacked "opening dates." Agencies are required to notify relevant state employment service offices and the local Federal Jobs Information Center whenever they intend to fill "temporary, competitive" positions. There is no requirement that such notification be in writing. Agencies are required to advise the FJIC and local state offices of an official "opening date," but that date can be and almost always is the date of first notification. The only truly important date in any such notification is the closing date, i.e., the date after which applications can no longer be accepted for consideration. Agencies can accept applications as soon as notification of the appropriate offices has taken place, but they cannot accept applications hand-delivered or post-marked after the official closing date. Since late applications result in ineligibility, all position notifications from the Civil Rights Commission carefully specify closing dates.

VI. GAO alleges that the Commission once accepted an application after the relevant announcement's closing date. The position in question was a temporary, competitive civil rights analyst appointment to be located in the Commission's Rocky Mountain Regional Office in Denver, Colorado. The position was announced in Denver, with a closing date of March 8, 1985, a Friday. On Monday, March 11, 1985, the application was received in the Commission's personnel office in Washington, D.C., noted in the office's seriatum log, and marked date-received, March 11. The post-marked envelope does not survive, but common sense and familiarity with the postal service suggests that the application was submitted in a timely fashion.

VII. GAO contends that the Commission is guilty of "failure to publish vacancy announcements." Whether one considers "publish" in its broadest context (to make publicly known; announce, proclaim, divulge, or promulgate) or narrowest (to write or have written), this contention, as should now be most clear from above discussions of OPM notification requirements, is incorrect.

VIII. GAO challenges the employee credentials involved in 13 specific temporary competitive appointments. GAO claims that "OPM requires that announcements specify the standard to be used in making the determination of eligibility" for such appointments. Blatantly untrue. FPM chapter 316.4-5c(1)(a) states that "appropriate state job service and OPM offices must be notified in accordance with instructions in FPM chapter 330, section 1-5." FPM chapter 330.1-5b holds (1) that "such notification must include the period during which applications will be accepted," and (2) that "notification should also provide information on qualifications." Nowhere in the FPM is there a requirement that position announcements, in GAO's words, "specify the standard to be used." Nor, again, do the regulations specify notification in writing. GAO alleges that a number of the appointments lacked the GAO "required" competitive qualifications analysis, but FPM chapter 338, Appendix A-1b(2), provides that "when the standard used is specified in Handbook X-118, the title of the position for which rated, when the same as that used in the Handbook, acceptably identifies the standard used." FPM chapter 333, Appendix A-3a(6) goes further, allowing that "when the standard used is in Handbook X-118, the class title of the position for which rated, if the same as that used in the Handbook, is acceptable as identification of the standard used. There will be no need to repeat the notation 'Handbook X-118' on each application" (emphasis added).

IX. GAO asserts that "OPM requires that temporary appointments made outside OPM registers must not be made to avoid merit principles, to extend other temporary appointments or to make non-competitive appointments pending completion of examining, referral, or other competitive processes." Although these requirements are fabricated from whole cloth, GAO strongly implies that the Commission has violated them. In the first place, temporary outside the register appointments in the competitive service are merit appointments by definition, so it is difficult to see how they could be twisted into an attempt to circumvent merit. GAO is confused. Secondly, FPM letter 316-21 explicitly permits the use of temporary appointments to extend other, previous temporary appointments (except special needs and handicapped appointments) as provided in FPM chapter 316, subchapter 4. GAO is mistaken. Last, GAO argues in essence that temporary, competitive appointments must not be made to make temporary, non-competitive appointments. We do not disagree.

GAO cites nine case study examples of the kinds of improper Commission exercise of temporary employment authority discussed above. Not one of them succeeds in avoiding the inventions and misstatements detailed above. Point by point clarifications of the circumstances involved in each appointment questioned by GAO are available upon request.

Special Needs Authority

GAO alleges that none of 21 "special needs" appointments to 18 Commission employees "had documentation establishing the nature of the unusual or emergency circumstances requiring the use of the authority." It further alleges that 7 extensions of such appointments lacked necessary documentation that the original conditions for the appointment continued in force. Here GAO has asserted that special needs appointments are "appropriate only when the legitimate needs of the agency 'cannot be served through appointment under some existing authority' and include emergency situations." The correct and complete citation is found in FPM chapter 316.4-8.B(1) and reads: "Agencies are delegated authority to make temporary limited appointments without examination to meet any legitimate need that cannot be served through appointment under some existing authority" (emphasis added). Moreover, the only time "emergency" is a relevant criterion in the exercise of such authority is when the special needs appointment occurs during the "summer employment period" [FPM chapter 316.4-8b(2)(c)]. Still, GAO mistakenly insists that the situation or event giving rise to the exercise of special needs authority must be of an "emergency" or "unusual" nature. GAO can cite no regulation in support of its fictitious requirement.

Since the "unusual circumstances" criterion is nonexistent, it follows that there is no further requirement to document it. Until the recent issuance of Installment 20 of FPM Supplement 296-33, there was not even a requirement to document the basis for special needs appointments on the face of Standard Form 50, the official documentation for any and every personnel action. Installment 20 requires only a notation in the "remarks" section of SF50 setting forth the reason for such an appointment. Even given GAO's misunderstandings about documentation, we are surprised that GAO charged us with failure to properly document these actions without asking for backup information about them.

Schedule C Authority

22 Schedule C appointments were made for 17 individuals employed at the Commission in the period under GAO review. GAO charges "two basic deficiencies" in each of the 22

appointments: "qualification standards were not used and the appointments were not properly documented." GAO claims that the Commission has violated an FPM requirement "that agencies establish qualification standards before appointing employees to excepted service positions." But 5 C.F.R. 302.101 exempts Schedule C appointments from the procedures set out in Part 302 and in FPM 302.

GAO suggests that the Commission has promoted its Schedule C employees faster than is allowed by the time-in-grade restrictions applicable to positions in the General Schedule. Schedule C employees are in the General Schedule, but not subject to those time-in-grade restrictions.

GAO alleges "a general lack of employment controls" governing the Commission's Schedule C employees. Nowhere in the Federal government do "employment controls," whatever GAO intends by the phrase, govern Schedule C employees.

GAO asserts that OPM did not offer prior approval of three Schedule C upgrades effective March 3, 1985. GAO declines to point out that no advance OPM approval is required in such cases. GAO reports that OPM "could not confirm that OPM had approved" a later Schedule C upgrade at the Commission. GAO could have confirmed that approval by itself; it had available for evaluation copies of all Form 1019s submitted to OPM during the review period, including the one notifying OPM of the specific action. That Form 1019 clearly indicates receipt by OPM's Schedule C section on October 7, 1985, and appropriate OPM approving action on October 9, 1985. Here, as with so many other unsubstantiable GAO charges and half-charges, a simple phone call might have eliminated the need for extensive discussion in its report.

Finally, GAO admonishes the Commission for its failure to "cite the OPM assigned position numbers on the personnel action documents," thereby preventing GAO from verifying that the Commission's Schedule C employees "were performing the duties approved by OPM." This last accusation is completely without merit. The Commission has its own position description numbering system, and appropriate numbers are shown on SF50 forms documenting each Commission personnel action. With each OPM submission (Form 1019) involving changes in the duties of a Schedule C position, the complete position description -- with the agency's number -- is attached. GAO need have looked no further to verify Commission Schedule C employees' duties.

ATTACHMENT III ATTACHMENT III

REFERRALS FROM STATE EMPLOYMENT SERVICE OFFICES

GAO has investigated allegations that the Commission has not hired qualified applicants referred to it by the Washington, D.C., employment service office. GAO cannot substantiate those charges. According to FPM chapter 330.1-5, Federal agencies are required to notify local state employment services (SESs) and local OPM Federal Job Information Centers (FJICs) whenever they intend to fill temporary, competitive positions outside OPM's employment registers. GAO has concluded that the Commission "did not have records" -- at least not "sufficient evidence" -- "showing that this had been done." We assume that GAO does not contend that agencies must have "certified, return receipt" evidence of such notification. But it remains the case that GAO has reviewed copies of Commission letters sent to the Washington FJIC, has seen notations on our job announcements concerning notification to OPM and SESs, has reviewed the Commission's distribution list for announcements of such positions, and has examined actual SES referral slips attached to applications we have received. In the absence of the kind of notification GAO is presumably attempting to verify, how could such referrals be on file in the Commission's personnel office?

GAO clearly suggests in its report that there exists some regulatory requirement that notification to appropriate agencies be in writing. Not so. Notification can be verbal, or in the form of a memorandum, letter, or formal job announcement; precise specifications do not exist. Typically, the Washington-area FJIC requests that agencies provide them with written information concerning positions to be filled as "temporary, competitive," but their request is hardly a statutory requirement. The Commission has, however, voluntarily prepared a written notification and delivered it to appropriate SESs and FJICs when it has sought to fill such a position. GAO is unable to state otherwise.

AFFIRMATIVE ACTION

GAO investigated the extent to which affirmative action was undertaken by the Commission to hire and promote women and minorities. At the time GAO completed its review, the Commission's accomplishment report for 1985 had not been approved by the Staff Director. On March 11, 1986, the Staff Director signed the report and forwarded it to the Equal Employment Opportunity Commission. A copy has been sent to GAO.

GAO complains in its report that because the Commission has not established affirmative action promotion goals it is unable to measure the Commission's success in promoting women and minorities. Promotion goals are not required of the Commission, but we do monitor internal movement, including promotions, as required by EEOC Management Directive 707A.

Over the last three fiscal years the Commission successfully recruited 54 minorities and women in all occupational categories.

AWARDS AND PROMOTIONS

GAO was asked to investigate charges that employees hired after the Commission was reconstituted were receiving favorable treatment insofar as awards and promotions were concerned. GAO found that no such favoritism could be discerned in award and promotion patterns.

Of eleven employees identified as having received one or more awards in less than a year, all but one were career employees who had been hired by the Commission prior to its reconstitution. The one exception involved an employee who had at one time been employed at the pre-reconstituted Commission, had resigned, and had been subsequently reappointed after reconstitution. No OPM regulations limit the number of awards that can be given or received in any one-year period (see FPM chapter 451). In any case, the one employee identified as a recipient of three awards in one year was first appointed at the Commission years before reconstitution.

GAO also investigated the question whether any Commission employees had been promoted in violation of "time in grade" requirements. GAO could not find any such employees. "Time in grade" does not, of course, apply to employees in the Excepted Service. For some reason, nevertheless, GAO's report includes a listing of Excepted Service employees promoted with less than one year in grade.

Despite its finding that "new hires, in general, had not been receiving more favorable treatment," GAO's report suggested without foundation that "this pattern could be changing." At GAO's oral briefing of Commission staff, Mr. Anderson confessed that this perceived change was "not statistically significant" and promised that "the offending phrase" implying a change in treatment of careerists "shall be struck." We are disappointed that Mr. Anderson did not, in fact, strike "the offending phrase."

COMMISSIONERS' AND SPECIAL ASSISTANTS' BILLINGS

GAO states that "concern was expressed" that the Chairman of the Commission and his Special Assistant billed the agency on an almost full-time basis for what were "thought to be part-time positions." Thought by whom? GAO's Attachment VI cites the relevant section of the Commission's authorizing statute, and notes correctly that there is no statutory limitation on the number of days which may be worked by either the Commissioners or their assistants. Additionally, there was no limit on the number of days that could be worked under the old Commission. The Chairman immediately preceding Mr. Pendleton (Arthur S. Flemming) maintained an office at the Commission, apparently worked there daily on a full-time basis, and was not fully paid for his time only because his status as a retired annuitant necessitated a cap on his personal income.

As demonstrated in GAO's chart, in FY 1983, Commissioner Berry's Staff Assistant billed 261 days, more than Chairman Pendleton's Assistant's highest-billed year (239 days in FY 1985). Finally, as GAO shows, almost one-third of Chairman Pendleton's billed time was spent in transit, largely an unavoidable consequence of his residence in California.

In its oral briefing of Commission staff, GAO acknowledged that its report does not contend that the time billed was not actually worked by Commissioners and their assistants. Some Commissioners and their assistants have had difficulty understanding and completing the salary voucher forms required by the Commission, and we acknowledge the partial lack of vouchers in the file for some Commissioners and their assistants. Accordingly, relevant requirements and procedures are once again being reviewed with the Commissioners. In FY 1986, we established procedures, open to GAO scrutiny, which should avoid a repeat of this occurrence. A further note: the official record from which pay is derived is through time and attendance cards. These cards are submitted to the GSA, Kansas City, on a flow basis for developing the agency payroll. An examination of these cards by GAO, which was not done, would easily verify the official source document of each individual's paycheck.

The GAO report confirms that the reported work of all assistants conformed to the duties described in their job descriptions.

COMMISSIONERS' AND SPECIAL ASSISTANTS' FINANCIAL DISCLOSURE REPORTS

After investigation of required financial disclosure forms, GAO has determined that Commission salary represents for no Commissioner -- including the Chairman -- more than 50% of the total reported income. Moreover, in the case of the Chairman, almost one-third of his billed hours reflected time in transit, which is largely due to his California residence.

GAO claims that the Small Business Administration's investigation of the Chairman's and his Special Assistant's business dealings "raises questions about the accuracy of their reporting of outside income." GAO refused, however, to state at the oral briefing what questions were allegedly raised. Under these circumstances, GAO is once again advancing an innuendo rather than providing evidence.

COMMISSION TRAVEL

Included in GAO's discussion of Commission travel is the assertion that the Commission has improperly augmented its appropriation. The basis of this claim is that Commissioners, and to a much lesser extent staff, accepted reimbursement for travel expenses from non-501(c)(3) organizations that had invited them to speak at functions sponsored by the organizations. We disagree.

GAO sets forth its claim in the summary portion of its statement:

> Donations from private sources for official travel constitute an unauthorized augmentation of appropriations, unless the employing agency has statutory authority to accept gifts or if the donor qualifies as a non-profit, tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. Such donations can also constitute a violation of 18 U.S.C. section 209, which deals with supplementation of salary, but

> the Civil Rights Commissioners are exempt from the operation of that provision.
>
> We found that the Commission has no statutory authority to accept gifts. Therefore, unless the contributors qualified as 501(c)(3) organizations, and other requirements were met, the Commission travelers had no authority to accept such payments. The Commission has no procedures to insure compliance with the law even though the Office of Government Ethics and the Office of Personnel Management have suggested certain steps that agencies should take to preclude improper augmentation of their appropriations. We also learned that the General Services Administration did not check for unauthorized augmentation of appropriations when reviewing travel vouchers of Commission employees. However, the Commission is responsible for ensuring that such unauthorized augmentations do not occur. (pp. 15-16, summary.)

Attachment VIII to the GAO statement discusses this claim in slightly more detail, but by no means provides an analysis sufficient to determine the validity of GAO's charge. According to the attachment, the Commission is in violation of section 4111 of title 5 of the U.S. Code and regulations issued thereunder which, among other things, require prior written approval of travel reimbursement by an agency official. GAO does not acknowledge that, at the oral briefing, Commission staff disputed GAO's assertion that Commissioners could not accept reimbursement for travel expenses from outside organizations without augmenting the Commission's budget. Furthermore, Commission staff pointed out to GAO in the oral briefing that Commissioners and Commission staff who traveled at the expense of sponsoring organizations did so on the advice of the Solicitor, a longtime career employee of the agency. The transcript of that briefing (pp. 97-99) provides the following exchange:

> COMMISSION STAFF DIRECTOR LATHAM: [A]re you aware that the travel that you have raised on non-501(c)(3) organizations, both for commissioners and for others, was approved on the advice of career counsel here and our ethics officer?
>
> GAO STAFF: We have talked to him.
>
> LATHAM: All right, will you make a notation that it was approved on the advice of the ethics officer and career solicitor?
> GAO STAFF: He told us that it was up to the traveler to see that they comply to that statute [5 U.S.C. 4111].
>
> COMMISSION SOLICITOR: I don't think that's fully correct, Paul [GAO STAFF], and I'm the individual that Mr. Latham was referring to. . . . .
>
> SOLICITOR: I was in error. I did not know that the agency could not -- that the traveler could not travel on official business unless -- if it was being paid for

> by an outside agency -- unless it was a 501(c)(3) organization. But after 30 years, I found out about it. But what I originally told the Commissioners and the Staff Director who took office in 1983, was that, yes, they could travel at the expense of outside organizations but they obviously could not receive double reimbursement from the agency.
>
> GAO STAFF: And we are not implying that either.
>
> SOLICITOR: No, I realize there is no implication of that. But as I say, I was in error by not advising them that their outside paid travel was restricted to 501(c)(3) organizations, and that was because I was not aware of that.
>
> LATHAM: Now, one clarification to that. The error runs to non-Commissioners, I take it. Because as to Commissioners, we have called your attention to the statutory provisions.
>
> SOLICITOR: Yes, that would be applicable to the then-Staff Director, and Sydney.
> . . . .
>
> LATHAM: Now, is there any question -- are you raising any allegation of conflict of interest in the acceptance of outside travel money?
>
> GAO STAFF: No.

Despite the Solicitor's correction of GAO's characterization of its discussion with him, GAO made no change in its final report. The fact remains that the Solicitor -- the agency's Designated Ethics Officer -- had previously advised the Commissioners and staff that they could travel at an outside organization's expense, whether or not the organization was tax exempt under 501(c)(3) of the Internal Revenue Code, and they had acted on this advice.

Comptroller General opinions regarding reimbursement for travel expenses from nongovernmental sources have been based on GAO's understanding of 5 U.S.C. section 4111. This statute provides, in relevant part:

> (a) To the extent authorized by regulation of the President, contributions and awards incident to training in non-Government facilities, and payment of travel, subsistence, and other expenses incident to attendance at meetings, may be made to and accepted by an employee, without regard to section 209 of title 18, if the contributions, awards, and payments are made by an organization described by section 501(c)(3) of title 26 . . . . (emphasis added).

Two points must be understood. First, the Commission's organic statute totally exempts our Commissioners from 18 U.S.C. 209 -- so the narrower exemption of 5 U.S.C. 4111, which is limited to payments from 501(c)(3) organizations, does not even affect our Commissioners. Second, the payments at issue were made to the Commissioners, not to the agency, so the agency's appropriation is not involved.

An Office of Government Ethics memorandum dated August 24, 1984, sets forth the generally relevant considerations for acceptance of travel reimbursement from outside organizations. According to that memorandum:

> When an executive branch employee is offered payment for travel expenses from a private source for expenses incurred in carrying out his or her official duties, *the travel reimbursement expense payments can only be accepted, if at all, by the agency employing the individual on the individual's behalf. The employee may not personally accept the travel expenses without potentially violating 18 U.S.C. 209* . . . .
>
> *The agency may accept the travel expenses only if it has statutory gift acceptance authority to do so or if the gift qualifies under 5 U.S.C. 4111* . . . . Otherwise the agency will be improperly augmenting its appropriations and running afoul of the Comptroller General's Decision B-128527 dated March 7, 1967 (46 Comp. Gen. 689) . . . (emphasis added).

The Commission's interpretation of 5 U.S.C. 4111 and its rejection of GAO's claim of augmentation is consistent with the reasoning set forth in the Office of Government Ethics memorandum. According to the memorandum, individuals are prohibited from accepting travel reimbursements by 18 U.S.C. 209. But the Commissioners are exempt from 18 U.S.C. 209 and may, therefore, personally accept reimbursements. The agency, the memorandum states in addition, may not accept reimbursements unless it has statutory gift acceptance or the gift qualifies under 5 U.S.C. 4111. But the Commission itself never accepted any reimbursements, and therefore, cannot have augmented its appropriation.

The Office of Government Ethics memorandum cites 55 Comp. Gen. 1293, which is useful for its sharp delineation between reimbursements to individual government *officials* and reimbursements to government *agencies*. At issue there was a request by the Internal Revenue Service for permission to implement a policy whereby the Service would pay for the travel by its employees to 501(c)(3) functions and accept direct reimbursement from the organizations. The Comptroller General denied the request, stating:

> *Section 4111 provides a specific exemption to the prohibition against officers and employees of the Executive Branch of Government receiving any salary, or any contribution to or supplementation of salary, from any source other than the Government of the United States (18 U.S.C. 209). It allows an employee to accept from eligible tax-exempt organizations payment, in cash or in kind, towards some or all of his or her personal expenses incurred in the scope of the employee's official duties while attending a meeting. However, this*

> exemption is personal with the officer or employee, and does not extend to the employing agency or department of Government. Moreover, the exemption cannot be read to authorize the agency to accept voluntary payments for the purpose of reimbursing its employees for expenses they incur in the activities mentioned in 5 U.S.C. 4111. That is, the statute is directed primarily at the authority of Government employees and not of Government agencies. In the absence of statutory authority allowing it to accept and retain voluntary contributions, an agency is bound by the provisions of 31 U.S.C. 484, requiring deposit in miscellaneous receipts. Therefore, there is no authority for Internal Revenue Service's (IRS) proposal to accept contributions directly and use the funds to pay the employee's expenses (emphasis added).

Thus, the individual Commissioners who accepted travel reimbursements acted properly under our Act's exemption of Commissioners from 18 U.S.C. 209 (which, like 5 U.S.C. 4111, is "personal with the officer or employee, and does not extend to the employing agency or department of Government"). And the agency did not augment its budget because it did not receive the reimbursements. GAO's interpretation of section 4111 in 55 Comp. Gen. 1293 is thus flatly contrary to GAO's reasoning in its charge that the Commission has augmented its appropriation.

Statutes should be interpreted so as to effectuate their manifested purpose. On these grounds also, GAO's claim that the Commission has improperly augmented its appropriation by virtue of the acceptance by some Commissioners of travel reimbursements fails. 18 U.S.C. 209 was intended by Congress to prevent conflicts of interest from arising on the part of Federal employees. That same rationale underlies the limitation in 5 U.S.C. 4111 to 501(c)(3) organizations. Take, for example, the following House testimony by GAO in 1958 on the provision of the Government Employees Training Act later enacted as 5 U.S.C. 4111:

> Mr. Chairman, that is a difficult question, and one I think cannot be answered, categorically, "Yes" or "No." As to the scientific personnel, the people attending meetings of nonprofit organizations which are for the purpose of making known information in scientific fields, I think, perhaps, there would be no problem. If, though, the meeting is sponsored by a profit-making organization with which this employee of the agency might have dealings on behalf of the Government, it might raise a situation where he either may be, or may be thought to be, subjected to some measure of, let us say, influence, and, perhaps, it is just as bad if the public thinks he is subjected to such influence as if he actually is. . . . (emphasis added)

Testimony in 1957 Senate hearings by Princeton University Professor Stephen K. Bailey is further illustrative of the purpose of 5 U.S.C. 4111:

> [W]ithin the last year the Comptroller General has ruled that no Federal agency may share with a private institution the cost of an educational venture for a Government employee without running afoul of 18 U.S.C. 1914 [now section 209], one of the so-called conflict-of-interest statutes. In practice this means that if Princeton University wishes to grant free tuition to a Government employee who is on Government salary, it may not do so.
>
> The conflict of interest statutes were passed with a perfectly reasonable intent: That Federal employees should not be subject to the possible corruption of having part of their salary or real income made available by a private enterprise which might have ulterior reasons for wanting to favor a particular employee or a particular agency. But surely a bona fide educational institution or foundation cannot be compared to a private interest which might have a direct concern with influencing executive agency behavior. (p. 119)

The statement by the National Civil Service League in the Senate hearings further pointed out:

> Current rulings by the Comptroller General indicate the possibility of the conflict of interest laws applying to special grants from private sources for training of federal people if they continue to receive federal salaries. We believe the government has much to gain by working out plans to continue the salaries of individuals properly chosen, who may then receive special scholarships or awards, private sources, in approved programs, which will enhance their public service careers. (p. 6.)

The testimony cited above makes manifest that section 4111 is in fact an exemption to the conflict of interest statute from which the Commissioners are exempt, viz., 18 U.S.C. 209. It cannot be denied that the purpose of the section is to remove conflict of interest concerns from the acceptance of travel reimbursements or similar payments from outside organizations. And as the following exchange between the Commission Staff Director and GAO staff at the oral briefing on March 18 attests, GAO's claim that the Commission violated section 4111 does not involve any conflict of interest concerns:

> LATHAM: Now, is there any question -- are you raising any allegation of conflict of interest in the acceptance of outside travel money?
>
> GAO STAFF: No.

FISCAL YEAR 1985 APPROPRIATION EARMARKS

GAO has investigated the charge that the Commission improperly adjusted its overhead allocations to stay within budget activity earmarks imposed by Congress. The GAO concluded that it "cannot say that the Commission did not comply with the 1985 earmarks." The report, however, goes on to imply just the opposite. It suggests that the Commission included printing costs in Overhead rather than in Publication Preparation and Dissemination in a deliberate attempt to avoid exceeding its earmark for the latter activity. In fact, we have simply followed historical precedent (for which abundant documentation was provided to GAO).

GAO suggests further that the Commission is unable fully to account for $421,000 it was permitted to shift from other budget activities to pay for a third FY 85 hearing on housing discrimination. Because this hearing was delayed until the second month of FY 86, the Commission returned $112,000 to the Treasury at the end of FY 85. $83,000 had already been incurred in direct salary charges and benefits attributable to the housing discrimination hearing. The remaining $226,000, including $51,000 in overhead, is attributable to other "hearings, legal analysis and legal services" budget activity operations.

GAO questions the $83,000 salary figure, strongly suggesting that the Commission's General Counsel improperly changed his own and several others' time charges before responding to its questions about such salary allocations. Not so. When our figures -- projected salary costs in the Office of the General Counsel for the housing project -- seemed to the Director of our Office of Management to have been significantly underestimated, he asked the General Counsel to investigate. The General Counsel discovered that none of his own or his Deputy's quite extensive time spent preparing for the hearing had been charged to its account, and that no account number had been assigned to the project until quite late in FY 85. He thereupon revised (up from zero) his own office time charges and those of his Deputy. Three other staff members' time charges were amended, and an explanatory memo from the General Counsel was attached to all the sheets. The changed figures involved only working, in-house documents -- not official time cards or payroll records -- which did not form the basis for any actual payments, either of salaries, bills, or travel expenses. No impropriety, in short, was committed or contemplated. There is no missing money at the U.S. Commission on Civil Rights.

Moreover, the GAO admits that about two-thirds of the additional days charged to the housing project were those of the General Counsel and the Deputy General Counsel, charges which the GAO apparently does not dispute. Since the salary rates of those two officials were higher than those of the other employees involved, well over two-thirds of the personnel costs reattributed are not subject to question by the GAO. In addition, since the total reallocation of personnel costs added $35,500 to a previous allocation of $47,500 (for a total of $83,000), the amount of reallocation questioned by the GAO is less than two-thirds of $35,500, or roughly $10,000.

In other words, the only bookkeeping inaccuracy that GAO could possibly allege involves the reattribution of approximately $10,000 to a housing discrimination hearing -- against a budget activity of nearly $2,000,000. While we believe the $10,000 reattribution was proper, based on the General Counsel's observations of work performed in his office, this is not in any event a major point.

As with so many of these allegations, the GAO's final word on the subject is that "we cannot conclude that any violation of the Anti-Deficiency Act [the relevant statute] occurred."

ATTACHMENT X ATTACHMENT X

LOBBYING ISSUES

The GAO inquired into whether certain letters or speeches by Chairman Pendleton violated any federal anti-lobbying restrictions. With respect to the letters (July 29, 1985, letters to Congressmen expressing views on a pending bill that would have required the imposition of employment quotas in the State Department's Foreign Service), the GAO concluded that the letters were perfectly proper and that no law was violated.

The GAO report does not state that any of the Chairman's speeches violated any anti-lobbying restriction either, although the report indirectly raises some question as to the propriety of the Chairman's speaking in opposition to the Civil Rights Restoration Act of 1985 (Grove City issue). The Chairman's remarks were consistent with an officially adopted Commission position. Moreover, as the GAO correctly acknowledges, there probably has never been a prosecution under the relevant anti-lobbying statute. Although the GAO contends that the speech in question "appears to represent the type of remarks the restrictions on lobbying by government officials attempt to limit," there is no support cited for this assertion. In fact, one of the major court cases construing the statute pointed out that the law's "obscurity may render impossible a precise judgment concerning the intent of Congress in passing the legislation." National Association for Community Development v. Hodgson, 356 F. Supp. 1399, 1403 (D.D.C. 1973).

In summary, the GAO found nothing of note on lobbying issues.

ATTACHMENT XI ATTACHMENT XI

STATE ADVISORY COMMITTEES

GAO was requested to examine three issues with respect to the Commission's State Advisory Committees:

(1) the rechartering of the SACs in 1985 and

> whether they met the standards of diverse membership set forth in Commission regulations;
>
> (2) the extent to which committee reports have been printed and released to the public and whether reports are still awaiting review by the Staff Director; and
>
> (3) whether the role of the committees has changed, including whether regional offices are allowed to provide assistance to the committees.

QUESTION ONE

While GAO does not directly respond to the question whether the Commission's rechartering of its state advisory committtees complied with its regulations requiring that the composition of the committees be diverse, it implies that it has not at page 21 of its summary:

> [T]he rechartered committees are now about 59 percent white vs. 49 percent previously and almost 65 percent male vs. about 54 percent in the previous charter. Committee chairs are now 72 percent white vs. 29 percent previously, and 92 percent of the chairs are male compared to 61 percent previously.

What, in fact, do the Commission's regulations require? The relevant language is contained in Section 703.5(b):

> Membership on the Advisory Committee shall be reflective of the different ethnic, racial, and religious communities within each State and the membership shall also be representative with respect to sex, political affiliation, age and handicap status.

Whether the composition of the SACs conforms to this regulation can be fairly well ascertained from GAO's own analysis of the SACs' composition:

Race	
American Indian	4.4 percent
Asian American	2.7
Black	25.1
Hispanic	8.5
White	58.9
Other	.4

Religion	
Catholic	22.5 percent
Jewish	20.9
Protestant	45.7
Other	10.9

Sex	
Female	35.3
Male	64.7

Political Affiliation	
Democrat	45.7
Republican	35.2
Independent	19.1

Age	
Under 40	21.3
Over 40	78.7

Clearly, GAO should have concluded on the basis of these figures that the composition of the state advisory committees generally and to a reasonable extent complied with the requirements cited above in the Commission regulations. But rather than do so, GAO goes beyond what is required in the Commission's regulations and focuses on the composition of the SAC chairs. Its claims in that regard do a disservice to the well-qualified men and women who were appointed as chairmen prompt the obvious suspicion that behind these claims is an attempt to discredit the Commission despite the absence of legitimate grounds for criticism; and raise the detestable insinuation that because, for example, a SAC chairman is white, he has no interest in protecting the civil rights of nonwhites.

Testimony given by Chairman Clarence Pendleton and Acting Staff Director Max Green on September 19, 1985, before the House Subcommittee on Civil & Constitutional Rights addressed the same issues raised by GAO with regard to the SACs. Rep. Don Edwards, Chairman of the subcommittee and one of four House Democrats who requested the GAO audit of the Commission, convened the hearing to examine the rechartering of the Commission's SACs. Emphasizing that the rechartering was conducted more mindful of the need for talent and diversity than a distorted view of digital justice, Chairman Pendleton testified:

> We examined each state committee individually and lent it balance so that all views could be represented. Many of the persons we appointed are long-time civil rights advocates who have become skeptical of race-conscious strategies; many are more favorably disposed to racial preferences. Our only litmus test was talent -- informed citizens who understood and cared about civil rights in our country.

"Instead of judging our [SAC] chairmen by their race," Chairman Pendleton argued further,

> look at them as individuals. Indeed Mr. [Edwards], if you have any objection to any one of our staff chairs, I would be interested in hearing of it. These men and women are, by no means, conformists. They were not chosen to toe the party line. Like the SACs, themselves, the views of our chairmen encompass the spectrum of debate on busing, comparable worth and the whole range of civil rights topics.

The requirement that the SACs be balanced in terms of the points of view represented is in fact mandated by the Federal Advisory Committee Act. The presence of differing points of view on the SACs is all the more important because of the debate that is taking place across the country on various civil rights policies. The SACs now reflect that debate. They did not reflect that debate before the rechartering.

GAO appears also to find fault with the manner in which names were placed in nomination for SAC membership:

> Before the 1985 rechartering of the Commission's state advisory committees, the Commissioners had selected committee members based mainly on recommendations from the Commission's regional offices. . . . For the

> 1985 rechartering, the regions continued to make their recommendations, however, headquarters' officials controlled the nominating process. (p. 78)

The implication is that something was amiss in the rechartering process. In fact, there is no requirement in the Commission's regulations or elsewhere that the regional directors be the source of nominations for SAC membership.

Commission headquarters should control the nominating process, and it is in its discretion whether to solicit recommendations for SAC members from the regional directors. Indeed, as GAO acknowledges, the regional directors initially recommended names for all of the 561 SAC positions. Headquarters accepted half of them, and substituted names for the other half. Commission staff in the Washington office would be remiss if they did not screen recommendations from the regional offices.

QUESTION TWO

GAO was also asked to "determine the extent to which committee reports have been printed and released to the public and whether reports are still awaiting review by the Staff Director" (p. 77).

GAO asserts in response that prior to fiscal year 1985, the SACs' primary method of advising the Commission was in formal, published reports. Beginning in fiscal year 1985, GAO further acknowledges, SACs began submitting to the Commissioners less formal briefing memoranda as an agreed-to alternative to the reports. SAC reports dropped in number between 1983 and 1985, according to GAO, from 36 in 1983 to 2 in 1985. In 1985, the GAO report notes, the SACs submitted 24 briefing memoranda.

The question regarding the number of SAC reports released by the Commission since its reconstitution by Congress is not unfamiliar. This same concern was raised by Rep. Edwards at the September 19, 1985, subcommittee hearing on the SAC rechartering. At that time, Chairman Pendleton testified:

> I said, in my statement, that it took a year or so to recharter the SACs. . . . But these SACs have just been rechartered, and they're looking at the issues.

Acting Staff Director Max Green added:

> I can tell you this, that very, very few reports have been turned down for publication, and that the majority will be approved as written or will be approved after revisions are made.

Following the Commission's September 19 testimony, Chairman Edwards sent a letter to Chairman Pendleton dated October 4, 1985, requesting that he respond to eight additional questions concerning the SACs. The Commission's response to that letter detailed the number of reports actually received from the SACs between January 1, 1984, and September 19, 1985, a 21-month period. Presumably GAO was given a copy of the Commission response, dated December 20, 1985, since shortly prior to that, GAO inquired of Commission staff when the Commission planned to submit its response to Rep. Edwards' staff, even though Commission staff had not told GAO staff that the Commission was drafting a response to a letter from Rep. Edwards concerning the SACs.

The Commission's response to Rep. Edwards lends support to Mr. Green's testimony that "very, very few reports have been turned down for publication." During the 21-month period between January 1, 1984, and September 19, 1985, thirteen reports or concepts were approved. Between September 19, 1985, and the date of Chairman Pendleton's response, three more concepts were approved, and seven more reports.

In response to Rep. Edwards' request that the Chairman detail any SAC reports or concepts returned to the SACs between January 1, 1984, and September 19, 1985, Chairman Pendleton replied that one report had been returned on legal sufficiency grounds

> because it did not distinguish between de facto and de jure segregation, ignored Supreme Court rulings, and set forth unsupported findings. The State Advisory Committee decided to drop the report.

Chairman Pendleton further advised Chairman Edwards that four reports were returned to the SACs during the same 21-month period for jurisdictional reasons. Two of the four have been revised and subsequently were approved by the Commissioners for publication. Two concepts were returned during this 21-month period on jurisdictional grounds: one of the two has since been revised and approved.

Moreover, Commission staff provided GAO with more recent data with respect to the period since September 1985, which indicates that Commission headquarter's review and approval of SAC projects has continued to accelerate. Since September, the Staff Director has approved six more SAC project concepts and four more proposals. The Commission recently approved a report by the SACs in Iowa, Kansas, Missouri, and Nebraska on State enforcement of civil rights in education. Moreover, at its meeting last month, the Commission adopted a statement in support of efforts by the Wisconsin SAC to alleviate tensions between the Indian and non-Indian communities in Northern Wisconsin. All of this may have been what prompted GAO official Ron Cormier to testify at last month's hearing that the trend with respect to SAC projects has noticeably improved in recent months.

With the rechartering of the SACs completed (save one), the Commission expects that the quantity of reports and briefing memoranda will continue to increase. But, more importantly, their quality will also increase, since the rechartering has left in place very competent and concerned citizens who bring with them to the advisory committees differing perspectives on the many important civil rights concerns.

QUESTION THREE

The final question that GAO was directed to look into with respect to the SACs was "whether the role of the committees has changed, including whether regional offices are allowed to provide assistance to the committees" (p. 77). GAO asserts that according to "those 12 regional officials we interviewed" (p. 85), administrative assistance to the SACs by the regional offices has not changed with the rechartering in 1985. However, GAO goes on to say, "the nature of their involvement with the committees has changed" (p. 85):

> Several officials indicated that the current committees are obtaining less input from regional staff in identifying issues. They

> said that they cannot express views to the committees as they have in the past; one said that he must get headquarters' approval before presenting ideas to the committees. Another said that he was directed by headquarters not to suggest projects or issues. Before the 1985 rechartering, according to several of the regional officials, regional staff exercised more control over the committees in project identification. (p. 85)

Without details of the discussions between GAO and regional officials, the accuracy of these comments cannot be determined. They are, however, very dubious, unless understood in the sense of an instruction to regional officials that they abide by the provisions of the Federal Advisory Committee Act, which prohibits Commission officials from inappropriately influencing the advice of its advisory committees, ensuring that their advice instead be the result of the advisory committee's independent judgment. Certainly, however, regional representatives confer on a daily basis with SACs in their jurisdictions.

GAO included in its discussion of the SACs a section on SAC committee meetings. Two significant points are made: The first is that "[t]he total number of committee meetings increased during the fiscal year 1983 to 1985 time period" (from 261 in 1983 to 294 in 1985) (pp. 85-86). The second point is that SAC factfinding and conference meetings decreased during this period "from 12 in fiscal year 1983 to none in 1985" (p. 85).

Commission staff attempted to explain to GAO officials in the oral briefing that meetings directed toward factfinding, known also as community forums, are for budgetary purposes now included under the heading of planning meetings. GAO chose to ignore this explanation, and their report is wrong on this point. The various community forums held by the SACs during 1985 are a matter of public record, in information provided to the General Services Administration as mandated by the Federal Advisory Committee Act.

USE OF COMMISSION AUTOMOBILE

GAO has investigated the allegation "that the former Staff Director used a Commission chauffeur and car to provide her with transportation between home and work." Although GAO was provided written and verbal statements by the former Staff Director and the employee then designated to drive the car -- statements that the agency vehicle was only used for Commission business -- its report claims to be unable to "verify that the Commission automobile was used only for official purposes while it was stationed at Commission headquarters or its warehouse." Trip logs covering at least part of a 22-month period, which GAO asserts are critical to its ability to judge whether use of the car was consistent with Federal regulations, were mistakenly thrown away by the designated driver six months after he left the Commission.

GAO has omitted two significant points from its report. First, during a March 18 briefing of Commission staff, GAO representatives were asked whether they had "any evidence that, in fact, Linda [Chavez] had home-to-work transportation" during her tenure as Staff Director. "No, we said that we don't," replied GAO's Paul O'Neill. No evidence exists that the Commission automobile was ever used for anything but official transportation. Second, as GAO was made aware, the Commission paid for a monthly parking sticker for Staff Director Chavez during her entire employment, which ought strongly to suggest that she always had ready access to her own home-to-work transportation, and did not require a chauffeur.

In late 1984, without the knowledge of the Staff Director, the Deputy Staff Director leased for the Commission a new Chrysler New Yorker and arranged for the creation of a new clerk position which was understood to involve certain chauffeur responsibilities. Upon learning of these actions, the Staff Director immediately ordered the Deputy Staff Director to nullify the lease, and the would-be clerk-chauffeur position was downgraded to a GS-303 clerk appointment. It was this clerk who operated the Commission's leased 1983 Ford Escort station wagon during the January-April 1985 period.

We note with regret that the Congressional prohibition against GAO's apprising the Commission of specific allegations against it has caused confusion and has necessitated additional work by both GAO and the Commission on this point in particular.

ATTACHMENT XIII ATTACHMENT XIII

CONTRACTING TO SUPPORT THE COMMISSION'S MISSION

According to the GAO report, it has been alleged that contractors have been used by the Commission to perform work that should have been done by the Commission's career staff. GAO's extensive examination of work contracted by the Commission, including its cost and justification, however, reveals no evidence to support such a charge. As a result, GAO declines to repeat the allegation in its summary statement, and does not offer support for it in its documenting attachment.

GAO was further asked to determine whether mission-related contracts were subject to legally mandated competitive bidding. Federal acquisition regulations generally require competitive bidding for contracts exceeding $25,000. Only two Commission contracts were this large during the period under GAO review, both of them in FY84. One was competitively bid. The other, a $53,280 initial contract awarded to the National Committee Against Discrimination in Housing to prepare a nationwide directory of private fair housing agencies, was not competitively bid.

Federal acquisition regulations [48 C.F.R. subparts 6.3 and 15.5] set forth the criteria that permit noncompetitive contracting via unsolicited proposals, as in the case of this contract. The National Committee Against Discrimination in Housing did, in fact, as its official Commission file clearly indicates, submit an unsolicited proposal that was, by the terms of these regulations, sufficiently unique and beneficial to our agency's mission. The Committee, moreover, was the one responsible source that could perform the task described in its proposal, had prepared the proposal without government supervision, and had received a favorable comprehensive evaluation. The Commission's Solicitor, who was the contracting officer at the time, has confirmed that all criteria necessary to establish the eligibility of this proposal for noncompetitive bidding were met.

The acquisition regulations also require that files for such contracts contain a reference to the specific authority under which they are awarded. In this case, the Commission neglected to cite in the contract itself or in a memorandum for the file the relevant legal authority [41 U.S.C. section 253 (c)(1)] and applicable Federal regulations [48 C.F.R. subparts 6.3 and 15.5]. There was no violation of law or regulation in the awarding of this contract. A clerical error resulted in the omission of two citations from a standard contract.

Senator Bumpers. Mr. Chairman, I am going to have to run now.

Senator Rudman. Yes.

Senator Bumpers. I'd like to submit some questions on behalf of Senator Hollings. I'd also like the right today or no later than tomorrow to submit my own questions for the record.

Senator Rudman. We will keep the record open for 48 hours in order to get those questions.

Senator Bumpers. Thank you very much.

Senator Rudman. Mr. Pendleton.

Mr. Pendleton. Mr. Chairman, I might say that I think that this is one of the problems that we had in the beginning. Had we been able, based upon the five letters sent on the questions of the audit, to have some time to work this out, we then would have been able to answer many of these questions and they would not have had to be presented.

SALARY SCHEDULES

Senator Rudman. I am sure that's right. This is why we will give you the chance to amplify on these even after the record closes.

Let me ask you about the charge that you or your special assistant had built the Commission to full-time level when it was supposed to be, in some people's view, part-time positions. I believe that your compensation over 2 years, or, I'm sorry, that is, over 3 years, was $188,000, which is in the vicinity of $60,000 plus a year. According to the information that we have, none of the Commissioners relied on their Commission salary as the sole source of income and in no case was the Commission salary greater than the half of the total reported income.

Can you respond to that?

Mr. Pendleton. Certainly. I make no apologies for the salary. There is nothing in the statute or regulations that says how many hours you can or cannot work.

I live in California. Thirty-one percent of my time is primarily spent in the air. There was no requirement for me to live here. I have probably spent more time with the Commission on business than most other Commissioners for all kinds of reasons.

Another thing is that is not out of line necessarily with my predecessor who was restricted because he was an annuitant to only $15,000 a year, but did spend practically full time at the Commission in an office.

Now, I have no office at the Commission. I have no Commission paid-for office at all.

My assistant accompanied me on some of the trips and she accompanied me on what people, that is, I think far less than what people thought that she might have accompanied me. This was coming back to Commission meetings and even in the matter of complying with the GAO report. It was the copying of all of my speeches. It was the requesting of organizations about whether they were 501–C–3 or not. This was also the matter of helping me with speeches and scheduling. My time has been considerable on this. I'm not paid for some time I spend. I'll leave here tonight at 8 o'clock on an airplane. I will get to California tomorrow morning at 3 o'clock your time. I will just be paid for 8 hours of work. So I make no apologies. I think that a lot of that is because there are people who would not like me to spend as much time with this Commission as I do. I am a dedicated chairman. I have been available and accessible to people who wanted to talk to me. I think that is important in terms of the Commission's mission.

Mr. LATHAM. Mr. Chairman.

Senator RUDMAN. Yes.

Mr. LATHAM. Mr. Chairman, if I may add to that.

Senator RUDMAN. Yes.

Mr. LATHAM. I have to correct one thing that I had said moments ago. I referred to Mr. Anderson of the GAO as having acknowledged something on page 11 of his testimony.

Senator RUDMAN. Yes.

Mr. LATHAM. I misspoke. What he acknowledged on page 11 of his testimony was the fact that the Commission does not limit the number of days or the amount of time Commissioners can spend on work.

Senator RUDMAN. We understand that. It appeared to be greater than had been done in the past. I am not drawing an inference from that. I am simply just saying it appears to be and it probably is.

Mr. LATHAM. If I may make a further point.

Senator RUDMAN. Yes.

Mr. LATHAM. In the past, Mr. Chairman, other Commissioners have had a great variation in how much time that they spent on Commission business as compared to others.

In fiscal year 1981, prior to the reconstitution of the agency, Commissioner Berry spent or billed almost twice as much as any other Commissioner, including the Chairman in that year.

In the following year, fiscal year 1982, Commissioner Berry again billed many times the multiple of what certain commissioners, of what certain other commissioners billed, or at least twice, and, in some cases, more than twice.

I am not saying that is, in any way, wrong or improper. I mention it only to give the comparative historical standard that some Commissioners have elected to spend more time on Commission business than others even when they are not chairing at the time.

TRAVEL

Senator RUDMAN. On travel there is another question. It appears that other sources paid for travel in 45 of the 117 trips. There was some question that some of these contributions may not have come from nonprofit tax-exempt organizations at the time. If they didn't, then, of course, the Commission had no authority to accept them.

Will you supply for the record even after the record has closed an addendum to the record on any of those that should not have been accepted under the Government Ethics Act, Mr. Pendleton?

Mr. PENDLETON. Mr. Chairman, I think that we have been over this. With Mr. Latham being the lawyer and my not being a lawyer, it is a matter of which code applies to the Commission. It is my understanding that the code under which we operate exempts us from that situation.

Senator RUDMAN. Then you can advise us if that is what you believe.

Mr. PENDLETON. Mr. Latham can give you more details on that.

Mr. LATHAM. I can tell you that our Commissioners are exempt from 18 U.S.C. 209. We believe that is the fountainhead of the regulatory requirements that the GAO is citing here.

Senator RUDMAN. Then you say so in your report for the record to us.

Mr. LATHAM. Yes, thank you.

Senator RUDMAN. Go ahead.

Mr. LATHAM. I might also point out, Mr. Chairman, the GAO had acknowledged, when I finally got an oral briefing from GAO, that they are not claiming that there is any issue of conflict of interest in accepting this.

Senator RUDMAN. I didn't allege that. I'm just alleging that we have rules here, that the rules apply, and if they don't apply, that is something else.

Mr. LATHAM. Yes, sir.

AREAS OF BUDGET FOR REDUCTIONS

Senator RUDMAN. In your 1987 budget request you had requested we restore the fiscal year 1986 Gramm-Rudman-Hollings reductions to your fiscal year 1987 base funding level.

The Senate budget resolution which has been reported by the Budget Committee assumes a freeze for most programs under the jurisdiction of the subcommittee.

What steps have you taken to identify the areas that you can reduce in fiscal year 1987 should the committee be unable to approve the requested increase?

Mr. LATHAM. Well, again, it is an agency with 70 percent personnel and 20 percent other fixed costs. We are doing every possible thing that we can to conserve resources within that framework.

One of the first decisions that I made when I came in December was to consolidate space, for example. We had a regional office here separate and apart from the headquarters office. We have consolidated that space to save on rent, which was one of our fixed costs. We cut back on subscriptions that the various offices take. We implemented a 10-percent reduction in travel.

At the present time we have a hiring freeze subject to exception. Hopefully, attrition will assist us in our budgetary obligations, a freeze that's subject to limited exceptions.

Senator RUDMAN. Let me just point out that your request and justification of a request of a 27-percent increase in the travel and transportation over your fiscal year 1986 adjusted level from $450,000 to $570,000, that I would assume that this is an area where, if we have to show constraint, that you are going to have to take another look at that.

Mr. LATHAM. We would certainly take another look at that, Mr. Chairman.

Mr. PENDLETON. Yes.

REPROGRAMMING REQUEST

Senator RUDMAN. Will you be sending us a reprogramming request? Are you going to be able to do this within the authority of your agency to reach your targets?

Mr. LATHAM. Based on the way the Gramm-Rudman-Hollings sequestration is, we believe we can.

Senator RUDMAN. How, again, are you going to do that? Are you going to do that by not filling temporary positions or hiring less consultants? What are you going to do about that?

Mr. LATHAM. At the moment we have a limited hiring freeze subject to limited exceptions. We are hoping that the attrition will assist us in saving some costs. We have also tried to save costs by consolidating space. We have tried to save costs by cutting back travel 10 percent. These are the factors that I had just mentioned.

Senator RUDMAN. Do you believe that will reach your some $800,000 and some odd thousand reduction?

Mr. LATHAM. It is possible. We have not eliminated the possibility that we will have to have a furlough. But we are monitoring the situation as we go along. We do hope to avoid this if possible. No final decision has been made on that.

VOTING RIGHTS

Senator RUDMAN. One of your primary functions of the Civil Rights Commission is to investigate the allegations that U.S. citizens have been denied the right to vote or to have their votes counted.

Mr. LATHAM. Yes.

Mr. PENDLETON. Yes.

Senator RUDMAN. Did you receive any allegations or any complaints in the area following the 1984 congressional and Presidential election? If so, how many, and how many are under investigation? How many have been completed? How many were found to have merit?

Mr. LATHAM. I'd have to provide that for the record, Mr. Chairman.

Mr. PENDLETON. In some cases some might be referred to the agency. We have to get the sheet of complaints and the like.

Senator RUDMAN. Please supply that for the record fairly soon.

Mr. PENDLETON. Yes; there is a monthly sheet that we have about the complaints.

Senator RUDMAN. That should be fairly easy to supply to us.

Your Central States regional office for Kansas, Nebraska, Iowa, and Missouri, it is currently participating in a study of the Surface Transportation Act.

How does this study relate to the mission of the Civil Rights Commission?

Mr. LATHAM. The issue of disadvantaged or minority business set-asides arises under the Surface Transportation Act. That issue, in fact, is being addressed by the Commission itself based on a hearing that was held last year on affirmative action and minority set-asides.

FEDERAL COST SHARE OF STUDY

Senator RUDMAN. Do you happen to know what the Federal cost share is that is associated with this study that I have referred to?

Mr. LATHAM. The study in the regional office?

Senator RUDMAN. Yes.

Mr. latham. I do not. We can try to get that for the record.

Senator RUDMAN. Would you, please?

Mr. LATHAM. Yes.

Senator RUDMAN. I wish that you would. I would think in the area of priorities that might be less than some other things.

Mr. PENDLETON. It is an interesting point. In many cases the State advisory committees have decided on what their own priorities should be for the study areas.

In spite of the criticism that we have gotten that we have tried to control them, this is an example clearly where people have decided that they wanted to get into a study. As long as we can find the statutory handle to it, this is perfectly OK, Mr. Chairman.

Senator RUDMAN. I have a number of questions for the record, about seven in all.

PER DIEM ACCOUNT

I will ask you one last one here. You are requesting an increase of $46,000 for your per diem account. I expect that as a result of legislation passed by the Congress removing the statutory cap on per diem, the rate for Federal employees, but in requesting that $46,000 are you assuming a per diem rate of more than the previous maximum of $75 a day, Mr. Pendleton?

Mr. LATHAM. Yes, sir. For the details on that, if I may, sir, may I refer to our Budget Officer at this time, Ms. Jane Mayne?

Senator RUDMAN. You can also supply that for the record for us.

Mr. LATHAM. Yes.

Mr. PENDLETON. Yes, Mr. Chairman.

Senator RUDMAN. Go ahead.

Mr. PENDLETON. If I may just say to you, Senator, that I would hope at some point it is increased because it is very difficult to come to places on $75 a day and still read about yourself in the newspaper.

Senator RUDMAN. I'd say that is true for all of us, Mr. Pendleton.

Mr. PENDLETON. Yes, sir; it is.

Senator RUDMAN. All right. I thank you, Mr. Pendleton, for coming.

Mr. PENDLETON. Thank you.

Mr. LATHAM. Thank you, sir.

SUBMITTED QUESTIONS

Senator RUDMAN. The additional questions requested by committee members will be inserted in the record at this point.

[The following questions were not asked at the hearing, but were submitted to the Commission for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR RUDMAN

UNITED STATES COMMISSION ON CIVIL RIGHTS INVESTIGATION

Question: The Washington Post yesterday carried a front page article concerning a General Accounting Office investigation into personnel practices at the Commission which had been ordered by the House Judiciary Committee. It is also my understanding that the House Subcommittee on Civil and Constitutional Rights held a hearing yesterday to publicize the GAO report.

I have some concerns over the information contained in this report which raises questions about the Commission's personnel practices, travel expenditures, billings and financial disclosure reports of Commissioners, and compliance with the Fiscal Year 1985 appropriations earmarks. However, I also understand that the Commission feels it has not been given an adequate opportunity to comment on the audit report.

Since this Subcommittee may be asked to deal with this issue as part of the Appropriations process, I would appreciate having your response to the issues raised by the General Accounting Office.

Answer: The Commission has prepared a detailed discussion of the GAO report which will be submitted as written testimony by Staff Director Latham before the House Subcommittee on Civil and Constitutional Rights (hereafter referred to as "Latham testimony"). We request that the Latham testimony be made part of this hearing's record in answer to your question.

FY 1987 BUDGET REDUCTIONS

Question: Your Fiscal Year 1987 budget requests the Committee to restore the FY 1986 Gramm-Rudman-Hollings reduction to your FY 1987 base funding level. The Senate Budget Resolution, which has been reported by the Budget Committee, assumes a freeze level for most of the programs under the jurisdiction of this Subcommittee. What steps are you taking to identify areas that can be reduced in FY 1987 should the Committee be unable to approve the requested increase?

Answer: The Commission is, and historically has been, a labor-intensive agency: 70% of our costs are personnel, another 20% fixed overhead. Discretionary amounts are limited to only 10% of our budget request. However, in order to cut costs during FY 1986, we have imposed a freeze on hiring new personnel with limited exceptions on a case-by-case basis. We have cut our managers' stated requirements in overtime pay by 75% and have cut by lesser amounts their travel, supply, and equipment allocations. We have reduced our space utilization by consolidating our Washington, D.C. regional office with headquarters. In addition to these measures, it may be necessary for the Commission to furlough employees in FY 1986. The Commission would be greatly helped in its effort to reduce costs if agencies were given authority to grant early optional retirement ("early out") without effecting a reduction in force.

Although Commission staff continues to seek ways to reduce costs in our operating expenses, the Commission is currently understaffed for approved projects in progress, and most nonprogrammatic cost-cutting measures have already been identified and implemented. One planned major study has been cancelled, and others may be cancelled or curtailed. Reductions in the Commission's FY 1987 budget request would mean at least continued understaffing, continuing or further restrictions on travel, overtime, etc., and consideration of furlough. FY 1987 funding at or below the post-sequestration FY 1986 level would also require consideration of a reduction in force and/or a reorganization of regional offices.

The Staff Director, in consultation with senior advisers including financial and personnel management staff, has closely monitored the position of the Commission as it strives to meet its FY 1986 sequestration level. This same group continues to consider cost-cutting measures that may be possible and necessary in future years.

Question: Your budget requests a 27% increase in travel and transportation of persons over your FY 1986 Gramm-Rudman-Hollings adjusted level, from $450,000 to $570,000. Is this an area where we could find some savings?

Answer: The Commission's travel funds are primarily used for programmatic (not administrative) purposes such as State Advisory Committee (SAC) members attending meetings, Commissioners' travel, invitational travel to Commission hearings, and staff travel to prepare for hearings, projects, and SAC meetings. The Commission notes that two of its primary missions are gathering information and disseminating information relating to civil rights issues. Staff and Commissioners' travel are, therefore, necessitated by the Commission's statutory responsibilities. Certainly the Commission will continue to look for ways to limit its expenses in this area, as in all others.

VOTING RIGHTS

Question: One of the primary functions of the Civil Rights Commission is to investigate allegations that U.S. Citizens are being denied the right to vote or to have their votes properly counted. Did the Commission receive any allegations or complaints in this area following the 1984 Congressional and Presidential election? If so, how many of these complaints are currently under investigations? How many have been completed? How many of the complaints or allegations were found to have merit?

Answer: A little background is necessary to answer these questions. The Civil Rights Act of 1957, as amended, later superseded by the Civil Rights Commission Act of 1983, authorized the U.S. Commission on Civil Rights to investigate sworn complaints alleging deprivation of the right to vote including the right to have votes counted [42 U.S.C. 1975c(1982)]. Prior to enactment of the Voting Rights Act in August 1965, the Commission held hearings in Alabama, Louisiana, and Mississippi to investigate such complaints. In more recent years, the Commission has not received any sworn voting rights complaints, and, thus, it has not conducted formal investigations of denials of voting rights. Rather, through its complaint referral service, complaints from the public concerning voting matters are referred to the Civil Rights Division of the U.S. Department of Justice for further action, since that agency has the authority to enforce Federal voting rights protections.

In FY '85 the Commission (including its regional offices) referred 25 such complaints and in the first half of FY '86 10 such complaints were referred. None of the written complaints reviewed and referred by Commission headquarters staff raised specific questions regarding voting for Federal officials in 1984.

In addition to complaint referral, the Commission continues to study significant voting rights questions as part of its research and oversight programs. At present, staff are developing an analysis of post-1980-Census redistricting and the Voting Rights Act Amendments of 1982 and preparing a hearing on selected voting rights issues.

SURFACE TRANSPORTATION ACT

Question: Your Central States Regional Office (Kansas, Nebraska, Iowa and Missouri) is currently participating in a study of the Surface Transportation Act. How does this study relate to the mission of the Civil Rights Commission?

Answer: This study was undertaken within the framework of one of the Commission's general missions, namely, to appraise the laws and policies of the Federal Government with respect to discrimination or denials of equal protection of the laws under the Constitution because of race or sex. Specifically, the Advisory Committees in Iowa, Kansas, Missouri, and

Nebraska studied the implementation of the 10 percent set-aside provision of the Surface Transportation Act of 1982 to determine whether firms owned by minorities or females are participating in highway construction contracts at the level mandated by the Act, and whether enforcement mechanisms are adequate to ensure participation at this level. In addition, the study was designed to determine whether possible failure to achieve the 10 percent level is due to discriminatory or other barriers to participation that might be operating in the implementation process.

Question: What is the Federal cost associated with this study?

Answer: To date, $22,000 has been spent on salaries of staff and travel associated with this project in the Commission's Central States Regional Office.

PERSONNEL COSTS

Question: Of the Commission's 222 General Schedule employees, 144 (65 percent) are paid at a level of GS-11 or above. Why does the Commission have such a high percentage of its employees in top grades? (NOTE: The average GS salary at the Commission is $33,514, and 49 of the Commission's 222 General Schedule employees are at the GS-13 level.)

Answer: The Commission is basically a research, analysis, and information-gathering organization. Therefore, the types of projects and studies undertaken require high levels of educational attainment, substantial expertise, independent personal action and ability to deal with sensitive and controversial matters. Such positions tend to be graded at the higher levels. The Commission employs a high number of lawyers and persons holding doctoral degrees.

Question: The Commission is requesting one ungraded position at a salary level of $44,074 during FY 1987. What are the duties of this employee?

Answer: The Commission is requesting one wage board position ($19,448) and one Executive Level V position ($68,700). The average salary for these two ungraded positions is $44,074. The positions are Warehouse person (wage board) and Staff Director (EL V).

Question: What is the current daily compensation rate for Commission members?

Answer: The compensation rate for each Commissioner is based on an hourly rate of $35.38. For an 8 hour day, a Commissioner would be compensated $283.04. This rate is based on level IV of the Federal Executive Salary Schedule pursuant to P.L. 98-183 Section 4.

Question: For the record, please provide the total compensation paid to each Commission member during Fiscal Year 1985.

Answer: The following is a table indicating the salary and benefits paid from expense vouchers received during fiscal year 1985:

COMMISSIONERS	SALARY	BENEFITS
ABRAM	$ 11,600	$ 700
BERRY	13,900	900
BUCKLEY	17,000	1,100
BUNZEL	28,800	1,800
DESTRO	21,200	1,300
GUESS	16,400	1,000
PENDLETON	67,300	4,200
RAMIREZ	7,300	500
TOTAL	$183,500	$11,500

Note: The above table does not include Commissioners' vouchers for FY '85 salary and travel expenses received after FY '85 closeout. At that time, vouchers had not been received from Commissioner Ramirez since April 27, 1985.

TRAVEL

Question: Your budget requests an increase of $46,000 for per diem allowances as a result of legislation passed by Congress last year which removes the statutory cap on per diem rates for Federal employees? In requesting an additional $46,000 are you assuming a per diem rate of substantially more than the previous maximum of $75 per day?

Answer: The Commission has received a preliminary report from GSA which lists the rates that are likely to go into effect once Congress and OMB approve them. This report indicates that almost 100 cities are to have rates above the current maximum of $75.00, and that many other areas will have increased per diem allowances. GSA estimates that under this preliminary schedule, the increased cost of the higher rates will be between 12% and 13% of each agency's total travel budget. The Commission used this estimate to calculate the additional $46,000 needed to meet the increased cost to the Commission of travel due to the revised per diem rates.

HEARINGS

Question: How many hearings does the Commission have planned for FY 1987?

Answer: The Commission has planned three hearings/consultations for FY 1987.

Question: What will be the subject of these hearings? What is the total cost projected for these hearings?

Answer: The Commission's total projected cost of the three hearings/consultations in FY 1987 is $731,000. Of this amount, an estimated $221,500 will be allocated to a consultation/hearing on discrimination against the elderly. The remaining sum will be divided between two hearings on topics to be decided upon by the Commission at a later date.

Delaying the selection of hearing topics ensures that the hearings -- and the findings and recommendations issued by the Commission pursuant to the hearings -- will be timely. A project on civil rights attorney's fees already approved by the Commissioners may contain a consultation/hearing component. Other topics under consideration include hearings on selected aspects of religious discrimination, and the nature and extent of organized hate group activity.

The costs of hearings and consultations depend on such factors as whether they take place here in Washington or in other parts of the country, and whether extensive field investigations are necessary. In FY 1986, for example, the Commission is planning a voting rights hearing to be held in the Southern United States, and two Commission subcommittee hearings on or near Indian reservations in regard to enforcement of the Indian Civil Rights Act of 1968. Although holding these hearings in various parts of the country will result in additional costs, the Commission believes that field hearings are an integral and traditional part of its fact-finding mission.

Not included in the amounts cited above are funds for the completion of reports in FY 1987 based on the voting rights and Indian civil rights hearings to be held in the second half of FY 1986.

DETAIL OF PERMANENT POSITIONS

Question: For Fiscal Year 1987, you project a staffing level of 233 permanent full-time positions, a decrease of 3 positions from your FY 1986 level. How do you anticipate achieving this decrease-through attrition?

Answer: As the Commission has noted, we are currently underfunded to meet our allowed employment levels, and understaffed for our approved projects in progress. The decrease of three positions will be made from positions currently unfilled.

Question: What grade level do you anticipate the three positions will come from?

Answer: The positions eliminated from our Detail of Permanent Positions are GS-4, a GS-6, and GS-12.

OFFSETTING COLLECTIONS

Question: For Fiscal Years 1985 and 1986, your budget shows offsetting collections of $28,000 and $19,000 respectively. Why are no offsetting collections projected for FY 1987?

Answer: For FY '85 and FY '86, both reimbursable program expenses (01.01 on p. 9 of FY '87 budget request) and offsetting collections (14.00) represent personnel on detail to other agencies. We do not anticipate any personnel details for Fiscal Year 1987.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

UNITED STATES COMMISSION ON CIVIL RIGHTS INVESTIGATION

CONSULTANTS, TEMPORARY, AND SCHEDULE C EMPLOYEES

Question: Yesterday the General Accounting Office testified to the House Judiciary Committee of their findings about trends in the Commission's appointments of consultants, temporary and Schedule C employees. The GAO found that from October 1, 1982 through December 31, 1965, the Commission made 212 non-career appointments versus only 60 career appointments, and that 73 of these non-career appointments were still with the Commission. Meanwhile, 55 of the 236 permanent career positions were unfilled on September 30, 1985. What accounts for this tendency of non-career over career employees to carry out the work of the Commission?

Answer: Please see the written testimony by Staff Director Latham submitted to the House Subcommittee on Civil and Constitutional Rights (hereafter referred to as "Latham testimony"), particularly Attachments I and II.

Question: GAO reported that they examined the records of 31 of the 41 consultants hired. The personnel records of the 31 were so poorly maintained that they were precluded "from making firm determinations on their propriety;" and that all "31 appointments contained indications of irregularities." What kind of a personnel operation do you have at the Commission?

Answer: Please see Latham testimony, particularly Attachments I and II.

Question: The GAO reported that one consultant was paid at the GS-11 level. The GS-11 level is the journeyman level and hardly conveys great expertise. Just what did this particular consultant do for the Commission and what was his or her training and experience?

Answer: As the GAO recognized in its report,

> The Commission appoints its consultants under its appropriation statute, P.L. 98-183, Section 6(a)(3) as authorized by Section 3109 of Title 5, U.S. Code. FPM Chpt 304.1-5b states that [u]nder this statute [Section 3109, title 5, USC] agencies may, when authorized in an appropriation or other statute, employ experts and consultants temporarily (one year or less) or intermittently without regard to the laws for the competitive service, position classification, and the General Schedule pay grades. (Emphasis added).

In order to suggest "questionable qualifications to provide consultant services" in this case, GAO is forced to argue that consultant work, to be appropriate, must be equivalent to a higher grade than GS-11, the one at which "Consultant A" was paid. In fact, grade level is not an "indication" of appropriate use of a consultant appointment. Such an argument is in no way supported by regulations. Undeterred, GAO quotes from OPM's Economist Series Position Classification Standard (GS-110, GS-13 level, pp. 30-31), which "describes the GS-13 consultant economist work as the lowest level at which a professional economist in the Federal service is expected to provide technical advice which is relied on in decisions concerning official government action..." GAO's report omits the rest of this quotation: "...intended to affect important aspects of the economy of the nation." GAO would not, one assumes, be willing to suggest that unless an economist is able to provide advice that will lower the prime rate he is unqualified to serve the Civil Rights Commission as a consultant. Such an interpretation of proper consultancy duties travels far beyond anything contemplated by OPM's definition of "consultant" -- "a person who ... has a high degree of broad administrative, professional, or technical knowledge or experience which should make the advice distinctively valuable to the Agency."

The Commission notes that grade level is not an "indication" of appropriate use of a consultant appointment, and that such an allegation is not in any way supported by regulations. There is no mandatory or implied requirement for a minimum grade level for consultant positions. In fact, 5 USC 3109 specifically excludes employment of both experts and consultants from the laws for position classification, i.e., grade level standards. The Commission's Administrative Instruction, under the section relevant to compensation for consultants/experts, states that "Pay will generally be computed in the first step of the General Schedule ranging from GS-9 to 15."

The consultant in question was paid at the GS-11 level to provide advice and opinions on problems and questions presented by the Commission concerning the Incomes of America project. This consultant has a B.A. degree from the University of Rochester in Political Science and German and an M.S. degree from the same university in Public Policy Analysis. She has 24 semester hours in Public Policy/Research methods, 16 hours in Mathematics/Statistics, 24 hours in Economics and 24 hours in Political Science.

Question: The GAO found that "5 of the consultants appeared to be performing operating duties, such as managing a Commission project or supervising career employees." This would be contrary to OPM instructions. Do you agree with GAO's findings and, if yes, how was this allowed to happen?

Answer: Please see Latham testimony, particularly Attachment II.

Question: The GAO also reported similar irregularities with the Commission's appointments to temporary and Schedule C employees. Mr. Pendleton, over the last 3 Fiscal Years, you have billed the Commission for no less than 233 days of work. Did you use any of those days to apprise yourself of the requirements for federal appointments?

Answer: This question incorrectly assumes that GAO's report of "irregularities" is accurate. See Latham testimony, including attachments. Also, 45 CFR Section 701.13 provides that the Staff Director, not the Chairman or any other Commissioner, is responsible for managing the administrative affairs of the agency.

Question: In view of the irregularities cited by the GAO in personnel and financial records, perhaps we should have a few more vacancies at the Commission. What confidence can we have in the career management employees of the Commission after this report? For instance, did the personnel or accounting officer ever voice any objections to these appointments?

Answer: This question also incorrectly assumes that GAO's report of "irregularities" is accurate. Please see Latham testimony, including attachments.

Question: Your budget for 1987 assumes restoration of the $529,000 sequestered in 1986 pursuant to Public Law 99-177, the Balanced Budget and Emergency Deficit Control Act. How are we going to get our deficit under control if we add back to each agency's appropriation the 4.3% reduction they took in 1986?

Answer: The Commission notes that President Reagan has identified many programs in his overall budget which might be terminated, thereby realizing substantial savings, but the President has recommended full funding for this agency.

Question: In the letter transmitting the 1987 justification, Mr. Latham mentions various actions the Commission has taken to live within the budgetary constraints. For instance, he mentions that, "we have cut our managers' stated requirements in overtime pay by 75%." I don't know what your managers think of as requirements, but according to the schedules, object class 11.5 in 1986 which include overtime, is increasing by 23% over Fiscal 1985. What does this tell us about your managers?

Answer: Although object class 11.5 includes overtime, it also includes incentive and PMRS (formerly, Merit Pay) awards. Under the new PMRS system, agencies are required to pay up to 1.5% of the total aggregate salaries of all merit pay staff as cash awards. The FY '86 amount for PMRS awards, $45,000, represents this 1.5%. Approximately 40 of the agency's employees will be eligible for these awards in FY '86. The agency set aside $35,000 in its FY '86 budget for cash awards to non-PMRS employees. Approximately 150 agency employees will be eligible for these awards. As Mr. Latham stated, we have cut our managers' stated overtime requests by 75% while encouraging our managers to increase productivity within the 40-hour week. Overtime is budgeted at $11,000 in FY '86.

Question: Mr. Latham also indicates that the Commission has "imposed a hiring freeze on new personnel with limited exceptions." How limited are these exceptions, since your full-time equivalent employment increases from 211 in 1985 to 236 in 1986?

Answer: Most Federal agencies operate under an FTE allocation, but the number does not represent the number of actual positions each agency is required or allowed to fill. At the U.S. Commission on Civil Rights, the only position "vacancies" are those for which approval has been granted to recruit and ultimately to hire. The departure of an incumbent to a position does not necessarily create a vacancy, and the number of employees on hand at a given time does not reflect the number of FTEs already or yet to be expended. The personnel summary on page 11 of the FY 1987 Request for Appropriation is based on the following: for FY 1985 it shows actuals; for FY 1986 and FY 1987 it shows a ceiling OMB allowed the Commission which we can not exceed. The hiring freeze Mr. Latham has put into effect is agency-wide, and exceptions are made on a case-by-case basis, according to the needs of the agency.

Question: For Fiscal 1987 you are requesting $120,000 for "inflation for non-personnel object classifications." In his message transmitting the 1987 budget, president Reagan boasted that inflation has averaged only 3.5% during the last three years. Why do you want to undo his good work by budgeting for inflation?

Answer: In following OMB's guidance for preparation of the FY 1987 Budget, we were authorized to project inflation at a rate of 4% for non-personnel object classifications.

Question: In spite of all the "sky is falling" rhetoric, your selected workload factors generally show an improvement in 1986 over 1985. In fact, the only items showing a significant decrease are state advisory committees and the number of library acquisitions. How do you square the words with the music?

Answer: The selected workload factors exhibit does not reflect the Gramm-Rudman-Hollings sequestration. As a result of the sequestration, many of these factors should be expected to decrease. However, the Commission will be making every effort to maximize productivity so that we may meet our goals with fewer resources.

Question: If we did not allow the $529,000 to restore the sequestered amount, and the $120,000 for inflation, how would that impact on your plans for 1987?

Answer: Please see the Commission's answer to Senator Rudman's question on this topic.

FINLEY, KUMBLE, WAGNER, HEINE, UNDERBERG, MANLEY & CASEY

April 9, 1986

Re: Questions for Mr. Clarence Pendleton
By Senator Dale Bumper's, Subcommittee
on Commerce, Justice, State, the
Judiciary and Related Agencies

I am representing Mr. Pendleton in his matter regarding the inquiry by the Inspector General of the Small Business Administration and by the California Attorney General's Office. In that regard I am familiar with the facts and am responding to your questions to Mr. Clarence Pendleton dated March 26, 1986.

In response to your first question (Paragraph a), it is important to succinctly relate the overall problem that gave rise to the inquiry by the SBA and California Attorney General's Office for nonprofit corporations. Clarence Pendleton, prior to his resignation on January 23, 1986, was Chairman of the Board of the San Diego County Local Development Corporation ("LDC"). In this regard, the Board of Directors of LDC believed that private loan packaging, to help the small businessman, had the potential to become an independent and self-supporting entity rather than rely on public funding. As a result, the Board of Directors initiated a program in the private area to test the viability of the concept. A number of private packages through a number of people were processed. In order for the Board to maintain closer control over the program they agreed to a contract with Sydney Novell which resulted in expansion of LDC private packaging. The agreement was drafted and approved by LDC's legal counsel and agreed to by the Board of Directors. The results indicated that the private packaging was a viable concept and could potentially result in the best long-term return in addition to creating a viable service without the need of public funds. As a result of the potential success by the private side, a business plan was submitted to the SBA which would prospectively utilize the commission and service fees received on approved loans as funding for a private organization to take over loan packaging and eliminate the block grant funds. It was the submission of this business plan to the SBA for approval and the potential philosophical chartering of a new course from public funds to private enterprise that gave rise to the complaints of conflict and resultant inquiry by the California State Attorney General and compliance audit by the SBA. If the private side of loan packaging were to replace the use of public funds, it would eliminate the job of the Executive Director and eliminate access to the approximately $400,000 granted in public funds to run the LDC operation and pay the employees of the LDC. There are people that have a financial stake in insuring that the public funds continue to be utilized to run LDC. The complaints and alleged conflict of interest has its genesis from the proposed philosophical change in direction by the LDC. The quickest method to sink the proposal was to allege a conflict because of the working relationship of Mr. Pendleton to Ms. Novell, although fully disclosed.

The following is in response to your question (Paragraph a). LDC contracted with Sydney Novell for private loan packaging. Her contract was approved by the LDC legal counsel with full knowledge of the facts by all of the Board of Directors who voted on the contract. Mr. Pendleton was not responsible for the creation of the arrangement. The Board of Directors with advice of counsel granted the contract to Novell because of her experience in providing the type of service required for packaging loan commitments.

In response to Paragraph b), Ms. Novell, under the name of Novell & Associates, did not lease office space from a company operated by Mr. Pendleton. Novell & Associates had adjoining space and the financial records represent that she paid the landlord separately for her rent. In addition, Ms. Novell did not receive $60,000 from Mr. Pendleton or Pendleton & Associates. Her payment was from the LDC and was based on a contract between the LDC and S. I. Novell & Associates for services performed in packaging loans. There is absolutely no question that the money was earned. In addition, Novell & Associates conducted on a small scale unrelated business of her own. Mr. Pendleton was paid a one-time fee of $500 as a consultant for work with an educational organization in which Novell & Associates had an agreement. Pendleton & Associates also conducted unrelated business. The only payments from Pendleton & Associates to Novell & Associates relate to shared expenses of overhead. Pendleton received absolutely no benefits from rents paid by Novell or Novell & Associates.

In response to Paragraph c), a violation of Section 503 of the Small Business Act would exist if there was self-dealing or there was a conflict of interest.

1. There was absolutely no self-dealing. Neither Mr. Pendleton nor Pendleton & Associates received pay or any other remuneration from LDC except one $25 fee for service as a Director. Nor did he receive any payment whatsoever from Novell or Novell & Associates relating to the contract that Novell & Associates had with the LDC.

2. The contract with Novell & Associates was drafted by legal counsel, was approved with full knowledge by the Board of Directors with Mr. Pendleton abstaining from the vote. As a result, there was no conflict of interest.

In response to Paragraph 2), Mr. Pendleton has not testified before any grand jury in connection with any investigation of allegations nor to my knowledge is there any grand jury, either State or Federal, undertaking investigation of the allegations.

In response to Paragraph 3), I have been informed by present legal counsel for LDC that the former attorney for the LDC was terminated by the Board of Directors of LDC. I was also informed that there was no protest by the attorney.

In response to Paragraph 4), I have included Mr. Pendleton's Notice of Resignation and explanation contained therein.

Mr. Pendleton is fully cooperating with the inquiry. I am confident the matter will be ended relatively quickly with a finding of no evidence to substantiate the allegations.

LOCAL DEVELOPMENT CORPORATION
OF SAN DIEGO COUNTY

TO: Board of Directors

FROM: Clarence M. Pendleton, Jr., Chairman

DATE: January 23, 1986

You are all aware that over the past several months, my time has become increasingly occupied by my duties as a public servant. I believed, as we all do on occasion, that I could attend to my public responsibilities and, at the same time, could continue to supervise and guide the local work to be done by the LDC.

However, that is not now the case. My duties on behalf of the national agenda are taking more and more of my time and attention. For eight years, I have nurtured and worked with the LDC and provided it with leadership, direction, and vision. I still believe that I have much to give to the LDC, but not the necessary time and attention which it has earned and deserves. The work to be done on behalf of small businesses in this community is far too important to be attended to by me on only a part-time basis. But, my work as a public servant is also important. Although I am torn by having to choose between the LDC and my other responsibilties, I realize that such a choice is necessary. And, I must do it now, in the best interests of the LDC, my other duties, and my family.

I request that the Board accept my resignation from the LDC. I regret that I will no longer be working directly with all of you toward the common goal toward which we have strived for so long. I will always value the times we have spent together assisting our local small businessmen and planning more creative ways that such assistance could serve the needs of our community. We have achieved much together, and I know that I am leaving the LDC in very capable hands. If I can be of any assistance, you know that I will always be available to contribute whatever advice you may seek from me. I hope that the new and imaginative goals which I have tried to set for you can still be reached in the not too distant future, including my goals of self-reliance and privatization in place of our historical dependence on public monies.

P.O. BOX 8128 SAN DIEGO, CA 92102 619 / 234-8811

SUBCOMMITTEE RECESS

Senator RUDMAN. At this time the subcommittee will stand in recess.

[Whereupon, at 11:20 a.m., Wednesday, March 26, the subcommittee was recessed.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

WEDNESDAY, APRIL 9, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommitee met at 10:02 a.m. in room S–126, the Capitol, Hon. Warren Rudman (chairman) presiding.

Present: Senators Rudman, Specter, Inouye, and Bumpers.

DEPARTMENT OF JUSTICE

STATEMENT OF THE HONORABLE EDWIN MEESE III, ATTORNEY GENERAL

NOTICE OF POSTPONEMENT OF HEARING

Senator RUDMAN. The subcommittee will be in order.

I have just explained to Senator Inouye—I did not have a chance to explain to Senator Specter—that due to an unavoidable situation that has developed, not an urgent situation, so people won't get the wrong idea, but a very unavoidable situation, the Attorney General really is unable to participate fully in the hearing this morning.

Since I am most anxious to have the Attorney General have an opportunity to testify and to have members of the subcommittee ask questions, the Attorney General and I have decided that it would be best to recess this hearing until sometime next week, because the situation is such that the Attorney General really cannot be here for longer than about 10 minutes.

All of us who have ever had any law enforcement responsibilities understand that those things happen.

So we appreciate your coming here this morning to tell us this personally, and we certainly understand. We will recess the hearing.

Attorney General MEESE. Mr. Chairman, I appreciate your understanding and the indulgence of the members of the committee.

Senator RUDMAN. Thank you very much.

SUBCOMMITTEE RECESS

[Whereupon, at 10:03 a.m., Wednesday, April 9, the subcommittee was recessed, to reconvene at the call of the Chair.]

[CLERK'S NOTE: The rescheduled date of the hearing for Attorney General Edwin Meese has been set for Thursday, April 17, at 9:30 a.m. in room S–126 of the Capitol. See the contents at the beginning of this volume for the page number.]

DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

WEDNESDAY, APRIL 16, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:35 a.m. in room S–146, the Capitol, Hon. Warren Rudman (chairman) presiding.

Present: Senators Rudman, Weicker, Specter, Hollings, Bumpers, and Lautenberg.

DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

STATEMENT OF ANTHONY J. CALIO, ADMINISTRATOR, NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

ACCOMPANIED BY:

- J. CURTIS MACK II, DEPUTY ADMINISTRATOR
- JOHN J. CAREY, DIRECTOR, OFFICE OF BUDGET AND FINANCE
- MS. KATHLEEN J. CHARLES, DEPUTY DIRECTOR, OFFICE OF BUDGET AND FINANCE
- MARK E. BROWN, DIRECTOR, OFFICE OF BUDGET
- PAUL M. WOLFF, ASSISTANT ADMINISTRATOR, NATIONAL OCEAN SERVICE
- RICHARD E. HALLGREN, ASSISTANT ADMINISTRATOR, NATIONAL WEATHER SERVICE

BUDGET REQUEST

Senator RUDMAN. The committee will be in order.

The first witness this morning is Dr. Anthony Calio. Did I pronounce that right?

Mr. CALIO. Yes; you did.

Senator RUDMAN. Dr. Calio is Administrator of the National Oceanic and Atmospheric Administration. The budget request for NOAA for fiscal year 1987 totals $917.8 million, a decrease of $203.2 million from the Gramm-Rudman-Hollings level. The decrease is even more dramatic when you consider that the budget request includes an increase of $45.1 million for the programs related to the development of the Next Generation Weather Radar, or NEXRAD.

Dr. Calio, ycu may summarize your statement if you like since it will be included in full in the record.

Mr. CALIO. Thank you, Mr. Chairman.

INTRODUCTION OF ASSOCIATES

Senator RUDMAN. Would you introduce those with you?

Mr. CALIO. I certainly will. To my right is Kathleen Charles, Deputy Director, Office of Budget and Finance; J. Curtis Mack who is Deputy Administrator of NOAA; to my left is John Carey, Director of Budget and Finance; to his right is Mark Brown, Director, Office of Budget. I also have with me my senior staff and representatives from other elements within the National Oceanic and Atmospheric Administration. They will probably assist me during the question and answer period.

BUDGET HIGHLIGHTS

I am pleased to be here this morning to support the President's fiscal year 1987 budget request. Let me just hit the highlights. You already started with the notion that our budget request for fiscal year 1987 is $916 million. It includes a transfer of $77.5 million from the Airport and Airway Trust Fund to fund the Aviation Weather and NEXRAD programs, and we are proposing $66.1 million financing from other sources.

We believe that this is consistent with the President's directive for reducing the Federal deficit. However, it provides, as far as the Weather Service is concerned, the capability to employ new technology which collects automatically or remotely observational data and uses this information in an effective and a meaningful way; development of the next generation radar system which would allow us to get some insight on the onset of severe storms and heavy precipitation associated with severe storms; and the beginning of the design phase for the Advanced Weather Interacting Processing System that will be able to pull all these observations together to enhance the ability of the forecaster to predict or forecast the weather with greater certainty and better response in a more timely way.

NATIONAL OBLIGATIONS

Along that line, we are forced to look at really "national" obligations, and we consider one of our national obligations the reduction of the deficit. At the same time, we are working with our sister agencies to try to pull all of our programs together to work more effectively and in unison with those sister agencies to do our job more effectively with fewer dollars.

PROGRAM ELIMINATION

Along that line, there are many things that NOAA should not be underwriting and those are reflected in this year's budget request. We do not believe that we should fund all of the current fishery programs. The Federal Government does not support those programs which should be funded by the States, local governments, and industry.

Again, I am requesting those Coastal Zone Management grants to States, Sea Grants to universities, and subsidies to industry for LANDSAT not be the responsibility of the Federal Government. These, we believe, should be the responsibility of others, States, localities, and industry. I am sure there are different views on that, but our view certainly is that we have to share that burden in order to maintain our target deficit reductions goals.

ATMOSPHERIC RESEARCH

With respect to carrying out our atmospheric research activities, we are pretty much following the outline set forth several years ago by the National Academy of Sciences. We are carrying out necessary research on global atmospheric chemistry and climate research to improve our ability to forecase severe weather events including hurricane prediction. Those are consistent with the national objectives established by the National Academy of Science.

In our budget request, we have stabilized some of the weather satellite activity. We were able to initiate the buy for five geostationary satellites that will take us through the 1990's, and through that acquisition, save the Government about $100 million in block buying of five instead of buying two or three at a time.

With respect to the Polar Orbiting Satellites, the issue of how we should proceed, we are requesting that we go to a one Polar Orbiting Satellite System instead of two. With that concept, we would not have to make the acquisition for the following satellites until fiscal year 1988.

TOGA ACTIVITIES

We are carrying out our research in concert with other countries for the Tropical Oceans and Global Atmosphere [TOGA] activities. We are trying to understand the physical events that cause the onset of such tropical ocean phenomena like El Nino so we can get a better handle on how these precursor events relate to what is happening with respect to the air/sea interactions that affect climate so we can be in a better position to be able to forecast those climatic effects in the future.

We continue to plan ahead to be able to map and to survey the exclusive economic zone and provide the necessary ccean services to be able to fulfill our mandate. That summary is the essence of our request. It has been a difficult year and a difficult management job to meet our target goals for deficit reduction and at the same time carry out the mandates we feel we can have with respect to our $960 million request.

I am prepared to answer any questions, Mr. Chairman.

[The prepared statement of Administrator Calio follows:]

PREPARED STATEMENT OF ANTHONY J. CALIO
ADMINISTRATOR
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Mr. Chairman and members of the Committee

I am pleased to appear before you today in support of the President's FY 1987 budget request for the National Oceanic and Atmospheric Administration (NOAA).

Our total budget appropriation request for FY 1987 is $916.0 million, which includes the transfer of $77.5 million from the Airport and Airway Trust Fund to fund the Aviation Weather and NEXRAD programs. In addition, we are proposing $66.1 million in financing from other sources.

The FY 1987 budget request for NOAA is consistent with the President's overall effort to reduce the Federal deficit, while at the same time maintaining essential governmental services. I am pleased that our FY 1987 budget proposes funding for the acquisition of the Next Generation Radar (NEXRAD) and development of two major automated systems for the National Weather Service (NWS). These systems will help us modernize the NWS with the latest technology and science to improve our severe weather and flood warnings and forecasts to the Nation. Our FY 1987 budget also increases funding to take advantage of exciting opportunities in research on global atmospheric chemistry and in hurricane prediction. Overall our budget addresses the future needs of NOAA and provides the necessary funding to move forward.

I have carefully studied all NOAA programs and I want to assure you and all the members of the Committee that we will continue to meet our national obligations and legislated mandates.

My focus as NOAA Administrator will be to stress the concept of "national obligations". I plan to use this concept as a barometer to measure the appropriateness of NOAA programs and plans, now and in the future. I agree with the President that eliminating the federal deficit is one such national obligation.

Having said this, I do not believe that wholesale across-the-board cuts are the best way to determine program funding levels. We must decide what is Government's role in each program area.

There are many things that NOAA should not be underwriting. For example, I do not believe that all of our current fishery programs need to be carried out by the Federal government. There are also other programs such as Coastal Zone Management grants to states, Sea Grants to Universities, and subsides to industry for Landsat that are not the responsibility of the Federal government. These programs are all proposed for termination in this request. The states, localities and industry should be assuming responsibility for the costs of certain activities currently paid for by the American taxpayer.

In the areas where the Federal government has a clear responsibility, I am committed to excellence, and intend to see that commitment through. As I have indicated, we will continue to upgrade our weather service capabilities. We are reassessing our oceans programs with an eye toward strengthening NOAA's activities in these areas. We are going to ensure that our research and development program addresses national priorities in the oceanic and atmospheric sciences.

NOAA programs: provide essential public services for the protection of life and property; manage and conserve our fishery and ocean-related resources; provide governments and industry with scientific data and information required for decision-making; and promote advancement in technology and our understanding of the oceans and atmosphere.

NOAA will continue to move ahead with strong research efforts in FY 1987. Excellent progress has already been made in several areas in FY 1986, and further advances will be made toward understanding and predicting the devastating effects of the El Nino phenomenon through the international Tropical Oceans and Global Atmosphere (TOGA) program; toward understanding global atmospheric chemistry, including the study of trace gases in the atmosphere and their contribution to the "greenhouse effect"; and, NOAA will continue to play a major role in the national acid rain research program. Sufficient funds have been included in the 1987 request for these ongoing research efforts.

During FY 1987, NOAA will continue progress in the modernization of the National Weather Service. This effort will include funding of FY 87 requirements for the development of an automated surface observing system (ASOS), the design of an interactive communications and data processing system (AWIPS), and testing and production of the next generation radar (NEXRAD).

We will continue efforts begun last year to develop an operational wind profiler and plan to accelerate R & D on a complementary system to measure temperature and water vapor. If this system proves successful, we may be able to replace the current costly upper air observation network maintained by the National Weather Service. We also plan to accelerate efforts to implement a new hurricane prediction system for improved forecasts of landfall and storm intensity, and upgrade the instrumentation aboard our hurricane reconnaissance aircraft.

This budget request continues full support for the procurement of the next series of geostationary satellites (GOES I-M) to stabilize the availability of continuous weather observations from space through the late 1990's. These satellites will have improved sensor capabilities to maintain surveillance and assist in the prediction of severe storms such as hurricanes and tornadoes. Previous estimates for the overall cost of this program have been reduced by $100 million beginning in 1988. The request provides for the establishment of an operational mission control center for the satellite-assisted international search and rescue program.

As part of the overall funding level proposed in this budget, NOAA intends to pursue a strong and responsive fisheries management program. The FY 1987 budget proposal will support the Pacific Salmon Treaty effort, the establishment and update of management plans for the major U.S. fisheries, and to begin a five year program to study the Eastern Tropical Pacific dolphin. The new funding required for these efforts will be offset by substantial savings identified from all areas in NOAA. We are also seeking support for needed maintenance of our facilities, and in particular our fisheries labs.

There is deep and sincere support for NOAA on Capitol Hill. I believe that the President's budget request presents a responsible NOAA budget -- one that ensures that the Agency will be able to fullfill its mission at a cost to the American taxpayer which is justifiable and reasonable.

We have an opportunity both to manage wisely and conserve the national resources that fall under NOAA's aegis. We have the opportunity and the obligation to develop those resources in an appropriate way.

QUESTIONS BY SENATOR WEICKER

Senator RUDMAN. We thank you very much.

Senator Weicker's subcommittee of the Appropriations Committee has a hearing under way which he must chair, so I am going to yield to Senator Weicker initially so he can get back.

Senator WEICKER. I thank Senator Rudman, I also thank my senior colleague, Senator Hollings, when I worked with him in senior years.

Are you having as much fun with Rudman as you did with me?

[Laughter.]

Senator HOLLINGS. He is just as decisive as you are. I enjoy working with Senator Rudman as much as I did with you.

Senator WEICKER. First of all, let me welcome you, I guess for the first time, since you became officially the Administrator of NOAA. I have been working with you in the past several months, and I look forward to working with you in the future.

REDUCTION OF OCEAN, COASTAL, AND FISHERY PROGRAMS

The President's fiscal year 1987 budget request for NOAA is 26 percent below the fiscal year 1986 appropriation. The funding level changes by activity are Ocean and Coastal Programs are down 53 percent; Marine Fishery Programs are down 40 percent; Atmospheric Programs are down 6 percent; Satellite Programs are down 22 percent, and Program Support is down 9 percent.

So I suppose my first question to you is: Why the disproportionate reduction insofar as NOAA's marine activities compared to their atmospheric activities?

Mr. CALIO. I think the major elements, as far as the oceans programs are concerned, are the rescission of the Sea Grant Program and the rescission of the Coastal Zone Management activities. There are roughly $70 million associated with that.

I believe we discussed our position on those programs before, but to make it clear, again, we do believe that the Coastal Zone Management Program should be readdressed and the States should pick up a larger share of that. That was the original intent, we believe, of the legislation, and we should revert back to that and get the Federal Government or the Federal tax base out of that and let the States pick up their portion or a larger portion of that program if they feel that it is an important function for the States.

I think that accounts for a major part of that ocean reduction. In fisheries management, as I stated at the outset, we seem to have a tremendous list of independent activities with respect to fisheries and fisheries development. Our view is that fisheries development belongs in industry; that the marketing aspects belong in industry; and the Federal role there is essentially one of research, conservation, and management.

Senator WEICKER. I am going to concentrate on just two programs, and then I am through with my questioning, Mr. Chairman.

UNDERSEA RESEARCH PROGRAM

The Undersea Research Program is again slated for elimination because the administration considers its projects of State and regional concern, and my staff lists here various and sundry activities where they are conducted by the University of Hawaii or the University of Connecticut or activities in the Caribbean, et cetera.

Having been first-hand on the bottom of the ocean floor four different times, I really never considered I was engaged in a regional or a State activity, and I just don't find that as a rationale for this particular research program. It seems to me that what we are trying to develop here is a first-hand knowledge of the ocean floor.

I have to say to everyone in this room that as much of a supporter as I was in the House of Representatives and continue to be of NASA, what you are demanding, what this Nation is demanding of the water equivalent, if you will, is just extraordinary in terms of the resources allocated.

You talk about safety. You have got a dedicated group of people that are going, in effect, shouldering the underwater research program in the United States of America with a little bit of help from Ferman, with a lot of dedication and some help from some foundations. But it seems to me that the time has come to address this now. I will tell you right now, never mind cuts; I really don't feel like accepting $12 or $3 million any more or whatever these little paltry sums are. This ought to be a $100 million program. This is where it is at.

I might agree with you on fishery development. I don't quite, but I can see your rationale. But you know as well as I do there is nothing in this for private enterprise, and certainly, the States and the regions aren't going to do it. If we want to have that knowledge of the oceans, there is only one person to do it, the same as the person that is doing it up above, Uncle Sam.

I would like to have your comment as to why you feel that underwater research is not something that should be conducted by NOAA.

Mr. CALIO. I guess it comes under the regime of—you heard the Secretary say this—as to what is absolutely essential to have as opposed to what would be nice to have. We have ended up identifying this as a lower priority program because of its regional aspects.

The important part, as I see it, is how does that contribute to essentially the development of the ocean, and it may mean that we have to relook at that entire undersea research activity and focus it more on where it has a greater potential other than just providing the skills and capabilities for undersea work like the coastal and estaurine research, like research on the pathways and fates of toxicants, like fisheries recruitment and biological productivity on a general basis, rather than just looking at the marine habitats where programs/facilities are currently located.

AEGIR MISSION

Senator WEICKER. No. 1, we are not going to eliminate the program, so we might as well get that one out of our minds; and No. 2, when am I scheduled to go down on the first mission of AEGIR, November?

Mr. CALIO. Yes, sir.

Senator WEICKER. November. Boy, I want to tell you, if for no other reason, I want to feel safe. The time has come now to really afford to these men and women who are very, very dedicated the type of support which they deserve. I can assure you, do you realize that you are all being invited to this hydrolab facility which is being put in the Smithsonian right now and has conducted around 600 to to 800 missions?

Mr. CALIO. Yes, sir.

Senator WEICKER. The only on-going, underwater laboratory in the world run by the Government of the United States with scientists of all disciplines and all over the world, and the knowledge we gain, and wait until you see this apparatus. It is dinky, and it is crude, at best.

Now we are going into the second generation with AEGIR. But I would hope that we have support. Never mind this business of cutting it out. The fact is it is ongoing and now deserves some decent support for all those, as I say, who have just given up enough, have risked enough in many ways. I think they deserve the support of your agency.

SEA GRANT

My second point that I want to make here now goes to the other area, Sea Grant. Here is an administration that is constantly deriding the Federal Government in Washington, that things can't be done federally; indeed, this is a matter of State and local concerns.

Well, here is our ideal program. How many States in the Union have their universities involved in Sea Grant, just about all of them, don't they?

Senator HOLLINGS. I know that 21 colleges have been awarded Sea Grant College status and 8 more institutions have received funding.

Senator WEICKER. Just about all of them are involved in the Sea Grant Program, so you are not talking Washington now. You are talking the 50 States at the State level, and the research institutions. I am talking about diversity; talking about non-Federal activity, and talking about a variety of disciplines. I can't think of a greater program than Sea Grant.

Indeed, since you have been so paltry at the Federal level, at least by spreading it out that way, it seems to me we have the greater chance for return. I would like to know what the justification is for zero funding Sea Grant?

Mr. CALIO. The notion is very straight-forward: the idea being a grant, a block grant kind of concept where money is by some operation similar to a formula, directed to 29 sea grant college programs throughout the United States. There are 29 programs altogether with something like 150 different universities and colleges associated with those 29.

The notion is: Why do we continue to provide Federal funding through that grant approach as opposed to letting science be in a competitive research mode; put up national priorities and goals and let all universities compete for the money available through Federal funding that would contribute to establishing a better understanding or solving problems with respect to our national objectives instead of funding it through 29 specific universities?

Why can't we break those grants away from the institutional concept of a "Sea Grant"?

COLLEGE COMPETITION FOR SEA GRANT FUNDS

Senator WEICKER. This is a new grant program you are proposing?

Mr. CALIO. No; my notion is we tie up $39 million in that particular arena as opposed to just putting $38 or $40 million into ocean research and let all universities compete for that. If the Sea Grant College Program has done what it is supposed to do, then those universities which have been funded over the past 20 years in Sea Grant could compete for those dollars.

Senator HOLLINGS. For what dollars? You don't have any dollars to compete for.

Mr. CALIO. There is a 15-percent increase from dollars in National Science Foundation.

Senator HOLLINGS. Oh, come on. You ought to be put on notice that Sea Grant started long before NOAA.

Mr. CALIO. I understand that.

Senator HOLLINGS. You don't act like you understand it. I mean, this Congress has made a finding on Sea Grant way before it even found you.

[Laughter.]

Senator HOLLINGS. I mean, let's get that straight. Just like in cancer, they have got medical schools in the several States, but we put a billion dollars into research for cancer. We want that research as a Federal policy. But my gosh, institute research in Sea Grant. We started that way ahead of NOAA.

Excuse me, Lowell.

Senator WEICKER. No, I am glad you did comment.

[Laughter.]

Senator WEICKER. I think you have summed it up well. I don't think that we are about ready. In effect, what you are asking for is totally the opposite of what the administration wants. You are asking them to bring those Federal dollars back to Washington and you fellows start doling it out from here. I think in terms of science and research, I like the freedom of the academic institutions, and 28 is a big number.

SDI FUNDING TO UNIVERSITIES

Senator RUDMAN. If the Senator would yield, certainly, one of the parallels to show the inconsistency of that position, not from Calio's point of view, but from the administration's point of view, one of the major new areas of research funding is going to be SDI which I support. It is going to be major defense funding out of the Defense Department in the billions of dollars over a period of years to a specific number of universities who have that expertise.

Essentially, I think what we are saying here, and I agree with my colleagues, is that Sea Grant is a program that has built up a great deal of expertise and a great deal of talent for a very small amount of money. We are talking about what we spill at the Defense Department. I would say your rationale doesn't really fly as far as I am concerned.

Senator HOLLINGS. Senator, if you would yield. I have the NASA budget in the Commerce Committee. We spent $100 million to retrieve things out of the oceans. How do we do it? Through the expertise and the research. This is engendered in the deep ocean bottoms and everything else, $360 million versus $7 billion, and yet you are trying to eliminate the oceans research?

Now you are coming along with Sea Grant, where you tie it to a Federal policy and program to get people and get the universities into oceans research. We are not talking about getting the University of Nebraska into oceans research. They would run the Governor out of the State house. The legislature would say: Why are we taxing the taxpayers of Nebraska to look into the oceans? As a result, we have gotten the different universities, such as Wisconsin and others, to lead the way into the Sea Grant Program.

Now, you are going to eliminate it because you don't have the feel for it. Go ahead. Excuse me.

Mr. CALIO. Excuse me, sir, but we are taxing the taxpayers in Nebraska to pay for this program.

Senator HOLLINGS. Yes, well that is all right, and that is the intent. Let's pay for it. Don't cut it. We are taxing them. They paid 50 percent for the carrying charges; 55 percent of what you paid last night on your income tax goes to interest costs. You don't want to start me on that.

[Laughter.]

Senator RUDMAN. We won't get into that.

Senator HOLLINGS. That is for no government. That is for the profligacy, waste, and extravagance. Go ahead.

Senator RUDMAN. Senator Weicker, I think you have the floor.

Senator WEICKER. In conclusion——

[Laughter.]

OCEAN RESEARCH

Senator WEICKER. ——I would only support the comments of Senator Hollings, Senator Rudman and the feeling on this committee that without a question, the next area of crisis in our lifetime will be the oceans. There is no question about it in my mind, whether it is an energy crisis, a food crisis, I don't care what, and with a little bit of money well planned and well spent, we will know what to do when that crisis hits.

That is really what we are talking about, is an intimate knowledge of the oceans and the ocean floor. You and I both know that all the elements and the people are there. What is lacking is the funding, and I wish I could tell you that the people in Connecticut and South Carolina and New Hampshire all really cared about the oceans.

I will tell you that were it not for Senator Hollings and Lowell Weicker over about the past decade, not, I might add motivated by any popular support at all, but strictly by our own bullheadedness, there wouldn't have been any NOAA. I know we are right, and I am not going to see this decimated by this administration. I admit to you, I have very little popular support out there, any more than Senator Hollings or Senator Rudman had. But we are all intelligent men and women, and we know what is right in this area. It is a scientific endeavor that this Nation has to have the capacity to meet and to be dominant in.

Now, that is really the essence of my argument in this whole oceans business.

Senator HOLLINGS. Great.

Senator RUDMAN. I would just say, before Senator Weicker leaves, that it is quite obvious why when we have a NOAA hearing that the new chairman of this subcommittee sits here very quietly and lets others do his work.

Senator HOLLINGS. And the former chairman hushes, too.

Senator WEICKER. The new chairman is very gracious.

OCEANOGRAPHIC RESEARCH SHIP

Senator RUDMAN. I would simply point out DOD is requesting $30 million to build a new oceangraphic research ship to be used for civilian academic research to meet what they call "worldwide ocean research needs." I have a feeling that that is a wonderful example of things going in opposite directions within the same administration. We are not being critical of you.

Mr. CALIO. We are all working for the same government. We work closely with those agencies. Four years ago, at an Ocean Principals Group, which is an informal group, leaders of the ocean community in the Federal Government worked just toward that end: how can we pull together all of our activities, the Navy, National Science Foundation, U.S. Geological Survey, NOAA, NASA, to be able to get the maximum effectiveness out of the dollars that we have so that we can meet our budget goals. So we work as a unit within the Federal Government and not as independent agencies.

REDUCTION OF FLEET OPERATING DAYS

Senator RUDMAN. Doctor, let me just interrupt you. You have got 23 vessels in your fleet. You are proposing to reduce operating days for 2 of them and you are deactivating 11 others, and DOD is coming along and saying: We want $33 million for our own.

Now, I will tell you something. Where I come from that "don't make sense." And I will tell you something else: As I look at your budget submission here, if this is the way it is going to fly, I am going to suggest on the floor of the Senate we take the O out of NOAA, and we call it NAA or change it to a zero, because this budget essentially destroys the ocean budget and I can't support that.

I am up front on deficit reduction, but I tell you, as I make priority choices, I think there are other areas of this Government that can take some hits far better than NOAA can. This is a pittance compared to what we spend around here and what we are doing. I think what Senator Weicker, who I think is probably the expert in the Congress on this issue, says is absolutely accurate. We have to learn more about the oceans because that is probably where much of the future is for this country.

Senator HOLLINGS. Would the Senator yield?

Senator RUDMAN. I am all done.

GENERAL BUDGET CUTS

Senator HOLLINGS. It is the feel, it is not just the money. The very issue and problem and challenge that you point out about coordinating the dollars and everything else, President Nixon faced up to that. That was back in 1970, 16 years ago. He answered that question and said he would correlate all these things through NOAA. It was all around research, the National Science Foundations, Defense, and in the other departments. He instituted it under Reorganization Plan No. 3 the National Oceanic and Atmospheric Administration. You are the Administrator, not the referee in bankruptcy.

[Laughter.]

Senator HOLLINGS. You are telling me how to save money. I know with Rudman and Gramm how to save money.

[Laughter.]

Senator HOLLINGS. Don't give me the budget hearing. I want to know your enthusiasm and leadership to keep this thing at least going. I am going over to a Space Hearing this afternoon. We have $7 billion over there. But here where seven-tenths of the Earth's surfaces is the ocean we're cutting back. We are all going to be there. You are going to be in the ocean this year. I was just in the ocean Saturday at my house.

Senator RUDMAN. On purpose or by accident?

[Laughter.]

Senator HOLLINGS. On purpose. Down in South Carolina, you can go swimming right now. None of us in this room are probably going to get into space.

SEA GRANT

We are really trying to continue and lead in research, and Senator Weicker is right on target. You have got to put the money there to keep Sea Grant going. You wait until it hits on the floor with Senator Pell and all the others with this particular program getting into institutions. That is the real research personnel and you do all these satellite and other things.

The reason you can develop these satellites and that kind of monitoring and what-have-you is you have that talent and the human development over the years under the Sea Grant Programs in the universities all over America. They have done an outstanding job with a pittance of money. Here you are going to cut it off and give us responsibilities.

You are giving us States' rights, and I am giving you Federal responsibilities. I am the only States rights person in this crowd. What the heck. They are not going to take that on. The States right now are being cut from every angle, revenue sharing; we are dumping all the housing, feeding, all the other responsibilities on there. So you are cutting a program that really proceeds forth. So you better get a better feel from this.

COASTAL ZONE MANAGEMENT

Senator Weicker—I am going to follow his leadership. We are going to have to maintain these programs and get by you all like a hurricane. There is bad weather running through the Congress, because there is no rhyme or reason. I could go to Coastal Zone Management. That was not the intent. The intent was, look, the several States, counties, and everybody else rushing down to the sea by the year 2000, 85 percent are going to live within 50 miles of the ocean or the Great Lakes, but they aren't taking that urbanization congestion, and where will the energy, where will the recreation, where will the industry, where will the port facilities be?

They weren't going to do any planning. We had to lead the States into doing some planning and zoning, and we still lead and we should continue that basis because it is to the national interest. That is why.

You are looking at the author of the Coastal Zone Management Act.

Mr. CALIO. I understand that.

Senator HOLLINGS. Don't tell me about the original intent. If you didn't like it, and you should have been here and voted against it, but don't come right now and kill it because you don't like it.

Mr. CALIO. In 1982, again, it was reconsidered for stretching out the program and terminating the activity as far as the——

Senator HOLLINGS. Look here, 2 weeks ago, your President and my President signed into law the reauthorization, 2 weeks ago. The President of the United States signed into law the reauthorization of Coastal Zone Management. Don't tell me where we are. Reagan and I agree. What is the matter with you?

[Laughter.]

Senator RUDMAN. At this point, I am going to thank Senator Weicker very much for coming over this morning. It is very important that you be here, because you have taken the leadership role.

Senator WEICKER. It is going to work out all right. It is going to work out all right. The Administrator is going to come down with me on that initial testing of the new underwater habitat.

Mr. CALIO. I will be there.

Senator WEICKER. And by that being a fact, that is going to be the best charming you have ever seen.

Senator RUDMAN. I would be very careful as to who operates the air valves.

[Laughter.]

Mr. CALIO. I just finished my physical.

Senator WEICKER. As long as you are a Republican, I am all right. [Laughter.]

Senator RUDMAN. Thank you, Lowell.

Mr. CALIO. I am taking my physical to get ready for that. As a matter of fact, I will be there with you.

Senator WEICKER. I want to say one thing to you: This is an administration budget that is being presented here. I think Tony is going to be a fine administrator. I think we are going to work well with him. I think that it is a very difficult spot that he is in here, and the best we can do, I think, is to work together. Now you have the administration input, and I can assure you, Senator Hollings, Senator Rudman and all, you are going to have the committee input. That will be good, then.

Senator RUDMAN. Thank you.

Senator HOLLINGS. Thank you very much. I appreciate it.

Senator RUDMAN. I will let you go ahead.

SPORT FISHING LICENSE

Senator HOLLINGS. Mr. Chairman, before you arrived, Dr. Calio and I were discussing this ridiculous idea that the administration has of instituting a minimum $10 sport fishing license. They have not sent up yet, and, hopefully, they never will.

The administration argues that recipients of specific Federal services should be required to pay user fees to help maintain those services. That's fine. But the National Marine Fisheries Services spends only $3 million a year on programs which directly affect salt water anglers. The licensing proposal would raise hundreds of millions of dollars from those same people over the next few years. I ask you, is that fair?

This proposal is not a user fee. It is a scheme to fleece our Nation's recreational fishermen in order to offset the huge budget deficits that resulted from this administration's fiscal mismanagement.

Mr. Chairman, recreational fishermen didn't create the deficit, and I would strongly oppose this attempt by the Reagan administration to try to balance the budget at their expense.

FAA TRUST FUNDING OF NEXRAD

Mr. Director, on the first page of your statement, the transfer of $77.5 million from the Airport and Airway Trust Fund.

Mr. CALIO. Yes, sir.

Senator HOLLINGS. How do you do that? Is that allowed there under the Trust Fund. I thought it was for Airport and Airway improvements.

Mr. CALIO. It is associated with improving air traffic. It is a part of it. FAA is a partner in the NEXRAD development.

Senator HOLLINGS. So you are going to take out $77.5 million and you don't need a bill for that. See, I couldn't get Secretary Dole just to give us the money for Dulles and National. We have been debating that for 3 months around here. You can come right in and get that transfer of $77.5 million right into the National Weather Service; isn't that right?

Mr. CALIO. There are two pieces of it.

Senator HOLLINGS. Two pieces?

Mr. CALIO. One of them is already in place for the weather products we provide to the Weather Service.

Senator HOLLINGS. Right.

Mr. CALIO. That was in 1986 on the order of $30 million.

The new piece is the $47 million for contribution to the NEXRAD. That is where FAA——

Senator HOLLINGS. And you have got some more there, incidentally. Even if we filled out all the commitments, we would have a $4 billion surplus, so we are not worried with the money. You ought to ask for money.

Mr. CALIO. This is what we need this year.

Senator HOLLINGS. How about the $66.1 million for other sources? Where do you pick that up?

Mr. CALIO. The Coastal Energy Impact Fund is $8.3 million; receipts, $46 million; and Fisheries Loan Fund, about $1.8 million.

Senator HOLLINGS. I see.

Mr. CALIO. We have deobligations of about $10 million.

Senator HOLLINGS. So all the S–K money goes into the Federal programs and not into outside research programs, which was the original intent?

Mr. CALIO. Yes; yes, sir.

SHIP FUNDING

Senator HOLLINGS. You can see the storm that you are stirring here and most respectfully, we are just not trying to give you problems, but on a parochial problem, as you move everything out, why are we moving the *Peirce*, the *Whiting*, and the other ships from the Atlantic to the Pacific?

Mr. CALIO. We are trying to bring out the—we brought out the *Oceanographer* so we will have four survey ships equipped with new technology.

We are not moving the *Peirce* and the *Whiting* to the Pacific. The two ships will be deactivated and maintained at the Atlantic Marine Center.

Senator HOLLINGS. It is being laid up at the Atlantic Station in Norfolk?

Mr. CALIO. We are not laying it up to the Pacific.

Senator HOLLINGS. You are just going to lay it up?

Mr. CALIO. Yes. And the other ships being laid up are doing the fisheries research work, and the effort there is to see if we can charter boats that are more efficient to operate by chartering services and the availability of vessels right now in different parts of the country.

Senator HOLLINGS. But you know and I know from that experience, it has got to be cheaper to continue to operate ours. I know those charter contracts. Momentarily, until they get into the programs, it sounds like it costs less, and budgetarially, it works out. Momentarily, you can experience a little bit of saving there.

But you have got these vessels that are ongoing. You have got the crews and everything else. What are you going to do with them? Lay the vessel up and fire people?

Mr. CALIO. Lay the people off; yes.

SEA GRANT REVIEW

Senator HOLLINGS. With respect to the Sea Grant Program, when may I expect that you are going to give us an approval on the review panel for Sea Grant college status?

Mr. CALIO. Nine have already been approved.

Senator HOLLINGS. What is that?

Mr. CALIO. Nine have been approved.

Senator HOLLINGS. What about South Carolina?

Mr. CALIO. It has been going through a review process.

Senator RUDMAN. Which States have been approved?

Senator HOLLINGS. Yes, and what committees are they on? [Laughter.]

Mr. CALIO. Are you talking about the panel, now, or the programs?

Senator HOLLINGS. Well, the panel and the program.

Mr. CALIO. Well, the panel, there are nine approved.

Senator HOLLINGS. Nine people and the panel.

Mr. CALIO. Nine have been approved. We have six more to go to complete that panel, and we will have those probably in the next month or so. They are going through security clearance right now. I am being advised that we do have a quorum now. That panel can meet and can be effective.

Senator HOLLINGS. Please look into that for us.

Mr. CALIO. Yes, it is moving.

FISHING LABORATORY

Senator HOLLINGS. On the seafood laboratory we have down there Charleston, we were testing, you know, purified fish oil. Am I correct that you are not going to continue the funding of that?

Mr. CALIO. That is correct.

Senator HOLLINGS. Why not?

Mr. CALIO. Again, the notion, as I understand it, was producing the prototype oil. The reaction to that is if that program really is successful, we shouldn't be producing a product. Industry will be producing a product and selling it, a fish oil. But in the development of a pilot plant, why develop the pilot plant within the Federal Government? Why don't we have industry develop that pilot plant? They are going to have to know what the production processes are.

Senator HOLLINGS. But do you have testing in there for NIH for the oil?

Mr. CALIO. We don't have testing.

Senator HOLLINGS. Yes; for NIH.

Mr. DOUGLASS. We are only producing the raw fish oil product to give to NIH to do the testing. We only will produce a precise product so that the tests can be done systematically.

Senator HOLLINGS. That is still a Federal program until it gets completed. Let's not belabor that.

LANDSAT

Let us jump to LANDSAT. Last year you said that $286 million was going to be necessary to set it up for private industry to take over. You put $125 million in there and now nothing this year. That leaves it in limbo. What about the $125 million investment, and what is the remaining amount to put it there? It ought to go one way or the other. You leave it in limbo, and nothing happens.

Mr. CALIO. We are trying to see what we can do with $125 million with EOSAT now. We are trying not to put in any more Federal subsidies.

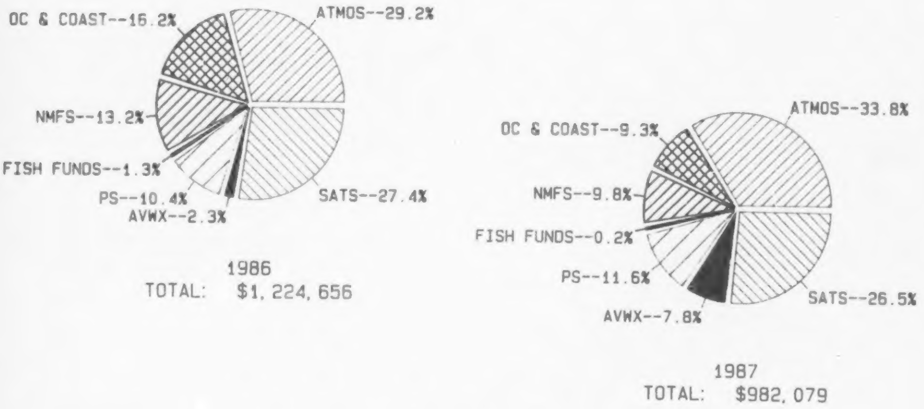
Senator HOLLINGS. You said $286 million before. Do you think you can do the job with $125 million?

Mr. CALIO. We are trying to see what comes out of our proposal with EOSAT.

Senator HOLLINGS. Please insert in the record at this point a comparison chart of the amounts for oceans, weather, et cetera.

[The information follows:]

DEPARTMENT OF COMMERCE: NOAA
Comparison of FY 1986 Program Level and
FY 1987 Request by Activity



SUPPORT FOR NOAA PROGRAMS

Senator HOLLINGS. I have no other questions. Thank you, Mr. Chairman. I have to go to another meeting.

Senator RUDMAN. I will yield to Senator Lautenberg. I will ask him to proceed with his questions.

Senator LAUTENBERG. I am now chairman?

Senator RUDMAN. Sure.

Senator LAUTENBERG. I wanted to be sure.

Senator RUDMAN. I think you can handle it.

Senator LAUTENBERG [presiding]. I am glad to see you, Administrator Calio. As you know, I have a strong interest in several programs that NOAA is responsible for. I think it is fair to say that from our conversations I know you support the programs that your agency is responsible for.

Senator Hollings said it with a degree of levity that I hope doesn't rob it of seriousness, and that is that we would like you, when you are here, to represent NOAA; the guys over at OMB are taking care of themselves in terms of the budgetary constraints. There are many important programs at NOAA. In a State like New Jersey, where the coastline is so extensive, we hate to see any of the programs that over the years have withstood the test of time and proven to be effective depleted in terms of resources and research, and the value that we get from it.

SANDY HOOK LABORATORY

A favorite subject of mine, as I think you know, is the National Marine Fisheries Service lab at Sandy Hook. I want to know whether you have had a chance yet to see or review the plans that were submitted by the State of New Jersey on the revitalization of the laboratory.

Mr. CALIO. The new plan?

Senator LAUTENBERG. Yes.

Mr. CALIO. I haven't.

Senator LAUTENBERG. Then I won't rush you on that now.

Mr. CALIO. I understand we were supposed to receive that, and I haven't received that. It is coming.

Senator LAUTENBERG. OK. Then there is no point in our discussing that until this afternoon sometime.

[Laughter.]

MONITORING SERVICES

Senator LAUTENBERG. Will NOAA be able to provide monitoring services along the shore this summer that have usually been provided by the lab without the facility being rebuilt?

Mr. CALIO. Yes. I haven't checked on the status, and I should have known that you were here and exactly what the status is, but we have preceded to require the monitoring and get that equipment set up.

Senator LAUTENBERG. OK. The President's budget proposes a substantial cut in the Status and Trends Program, which is responsible for ocean water quality monitoring. The coordinator for the East Coast Program is at Sandy Hook. If we cut these funds, it is going to virtually eliminate the important work obtained from this monitoring program.

In my State, concerned physicians have formed a coalition to bring attention to the health problems resulting from contaminated shore waters.

According to this group, we are seeing an escalated rate of infections and illnesses and even possibly miscarriages as a result of people swimming in these waters. In light of the increasing concern in my State and others over the health impacts of contaminated shore waters, how can we discontinue support for this program?

We are talking about health effects; we are talking about a very important recreational area; we are talking about an important commercial area that is essential to the kinds of activities that our State has. Here we are discussing the elimination of a program vital to coastal States.

Mr. CALIO. We haven't, sir. We have cut it in half. It is $6.2 million.

Senator LAUTENBERG. I would hope that we are going to be able to do something here to restore that. We consider it, again, an essential program. I think it is a bad idea, and I, for one, wouldn't want to see those cuts.

FISHING LICENSE

We have a controversy going on in our State, and I am sure other coastal States, having to do with the proposed Federal fishing license for sport fishermen. Such a fee is proposed to be at least $10, and the fishermen won't receive any benefit as a result of that. They already pay an excice tax on fishing equipment. As you can imagine, I oppose this new proposal.

I recently joined with several colleagues in writing Secretary Baldrige to express our opposition.

Many recreational fishermen go out. according to surveys done by charter companies, only once a year off our coastline. I assume the same experience prevails throughout the country. This would mean a $10 Federal fee for one trip.

Senator RUDMAN. Is the fishing that bad that they don't want to go back?

[Laughter.]

Senator LAUTENBERG. The fishing is good, but it is the kind of thing that takes a lot of money. Take a father, planning a day of fishing. They're already going to pay $20 each for the trip. Now we're talking about another $10 each. A Federal fee imposes a terrific burden, and may just keep them from going out, meaning lost revenues for charter boat operators.

Do you feel it is appropriate to single out recreational fishermen and saddle them with a fee which they, frankly, can't ascribe any benefits to?

Mr. CALIO. Let me give you two reactions, first of all. We are proposing to expand that to include commercial fishing, and it would be a license based on tonnage of the vessels.

As for the $10 sport fishing fee, a stamp or what have you, I don't blanch at all.

Senator LAUTENBERG. How much fishing do you do?

Mr. CALIO. Not much lately.

Senator LAUTENBERG. He can't afford the $10.

[Laughter.]

Mr. CALIO. That is true, and there are already States who have State fishing licenses.

When I was in California for a year, I did it three times, went out in the bay area of the ocean, paid $7.50 a trip for that license to be able to fish for striped bass and salmon. It was a thoroughly enlightening experience, and I had no problem whatsoever.

Senator LAUTENBERG. Striped bass in California? It wasn't striped bass.

Senator RUDMAN. Chesapeake. Well, a little further north.

Mr. CALIO. Another variety of striped bass.

[Laughter.]

Senator RUDMAN. The stripes run the other way.

[Laughter.]

Senator LAUTENBERG. In California, they are checkered.

Mr. CALIO. Not this way. But it was an enjoyable experience, and I didn't have any problem.

Senator LAUTENBERG. Let me say this: There is an enormous resistance to this. Fishermen feel it is an unjust burden. I agree.

Mr. CALIO. Ten dollars a year. The State would get half of that.

Senator LAUTENBERG. So many of these fishermen, again, are one-time fishermen. I read the statistic the other day. The head of the charter boat association had a survey done, and the numbers were close to 90 percent with a Federal fee, many of these people just won't go.

Mr. CALIO. You can get all the research done on a simple tax like that, $10 per year.

Senator LAUTENBERG. Yes, but the fishermen don't get any benefit.

Mr. CALIO. It goes to help them understand and research.

COST TO SPORT FISHERMEN

Senator RUDMAN. How much will it cost them?

Mr. CALIO. We estimate——

Senator BUMPERS. $50 million?

Mr. CALIO. $50 million.

Senator LAUTENBERG. How much of that goes into general debt reduction as opposed to research?

Mr. CALIO. The notion here would be able to reuse all of it.

Senator LAUTENBERG. I don't think that is the way it was proposed.

Senator LAUTENBERG. The President's proposal says it would go into debt reduction; is that correct?

Mr. CALIO. Let me get the exact story.

Mr. DOUGLASS. Half goes to the States.

Senator LAUTENBERG. The other half goes to Federal debt reduction.

Mr. CALIO. So your $50 million number was what?

Ms. CHARLES. Is the total to offset.

Senator LAUTENBERG. The Federal share go to offset debt, not to chance fisheries. It would tax fishermen, with no return on their dollars. To tax fishermen for debt reduction doesn't seem like—a wise or fair course of action. I oppose it, and will work against any attempts to implement it.

Mr. CALIO. That number isn't quite finished, and we aren't quite finished reworking that.

GREEN TIDE

Senator LAUTENBERG. OK. We have a special problem in New Jersey. There is a condition that is known as the Green Tide. I understand that the National Marine Fishery Service has recently agreed to convene a scientific panel to look into this problem. Are you familiar with the Green Tide?

Mr. CALIO. Yes.

Senator LAUTENBERG. What is the mission of this panel that is being convened?

Mr. CALIO. Let me check on that.

Alan Thomas from NOAA'sResearch Development Group.

Mr. THOMAS. Basically, there is a group of people from the New Jersey Department of Environmental Protection along with the U.S. EPA region out of New York and the marine fisheries people. They are putting together a plan to look at the issue of this particular problem.

Now, some work has been done. It is mildly an irritant, as you probably know, to people. It is not in the same category as the Red Tide in terms of its effect. Right now, we don't really know what causes it.

Senator LAUTENBERG. The panel is being convened for the purpose of investigating?

Mr. THOMAS. There should be a plan available in about a week in terms of what they think they could do in terms of studying the problem and getting a better handle on why it is caused.

Senator LAUTENBERG. Where does the funding come from for that?

Mr. THOMAS. I don't know. It would have to come from within the agencies that are involved.

Mr. CALIO. State agencies?

Mr. THOMAS. Well, EPA and Marine Fisheries Service are involved right now.

Mr. DOUGLASS. These are manpower requirements which are already committed. So there is no additional funding.

Mr. CALIO. $20,000 would be my guess.

Senator LAUTENBERG. OK. I am happy to see that you are moving to address this problem, and I would urge you to move along, and continue this commitment. It is a very serious thing in a State like ours, where we are so dependent on summer tourism.

That was the last thing, Mr. Chairman. I think that I am all set, and I appreciate it. Thank you.

Senator RUDMAN. Senator Bumpers?

LITTLE ROCK, AR, FISHING LAB

Senator BUMPERS. Mr. Calio, I want to ask you something about two employees in the National Marine Fisheries in Little Rock. Why are you eliminating them?

Senator LAUTENBERG. Why don't they have a coastline?

Senator BUMPERS. I am tired of all this junk I have been listening to. Let's get down to the meat of this thing.

[Laughter.]

Senator BUMPERS. Would you send me a short cost-benefit analysis of that office?

Mr. CALIO. Sure, we will.

Senator BUMPERS. Secondly, as far as the National Weather Office is concerned.

Mr. CALIO. Incidentally, they produce marketing data in Little Rock, fisheries marketing data. I guess the question that comes up is why should we be publishing that instead of the industry? Short answer. We will give you the cost analysis, but that is the point that we are making.

Senator BUMPERS. This is a philosophical difference. You don't think the government should be furnishing that service?

Mr. CALIO. Marketing and reporting, no. Research, yes.

Senator BUMPERS. Would you eliminate a Crop Reporting Service in the Agriculture Department for the same reason?

Mr. CALIO. That is another Department.

Senator BUMPERS. The point is, we do that.

Mr. CALIO. The answer would be yes. That is a multi-million dollar industry. I don't see why they can't provide their own marketing and reporting capability if it is domestic. Internationally, I think it would probably be another problem as far as foreign agriculture is concerned.

Senator BUMPERS. That is not a line item. I am not sure what funds you use to fund it with.

Mr. CALIO. That center? It comes under fisheries development. It is grouped into a whole series of things. We will break that out for you and give you the numbers.

NEXRAD

Senator BUMPERS. The National Weather Service has a project in conjunction with FAA. They are trying to implement an automated services operation system monitoring the weather and the indications of public weather and aviation. Are you familiar with that program?

Mr. CALIO. Yes.

Senator BUMPERS. How is that coming along?

Mr. CALIO. Reasonably well. We have a council between the FAA and National Weather Service to assure that what we are doing and what they are doing is consistent.

STUDY OF WIND SHEAR

Senator BUMPERS. Would that program deal with the ability to detect wind shears? I understand we have that ability.

Mr. CALIO. That is another program we are working with in concert with FAA. We are developing the Next Generation Radar, the NEXRAD. Hopefully, we will go into production this coming fiscal year. We will produce ten units. The first two or three of those will be pulled off line and are being turned over to FAA to look for modifications to develop a terminal monitor which will then be used in the airports for wind shear and microbursts, that type of thing. It is a cooperative program between FAA, NOAA, the National Weather Service and the Air Force. That is moving along reasonably well. We are on schedule.

Dick, do you have anything more on that?

Mr. HALLGREN. No.

Senator RUDMAN. All right. Thank you, Senator Bumpers.

Senator BUMPERS. Mr. Chairman, if I may?

Senator RUDMAN. Sure.

TORNADO DETECTION PROGRAM

Senator BUMPERS. Your Tornado Detection Program, how is that coming? Isn't that in your National Weather Service?

Mr. CALIO. Yes, but when you say National Tornado Detection Program, do you mean the NEXRAD and the severe storm programs?

Senator BUMPERS. Yes. That is not the same program as the one you are working in conjunction with the FAA on, is it?

Mr. CALIO. Yes. They are all tied together. There are three components to it.

Senator BUMPERS. I understood we will have a new radar system for detection of tornados in place by what time?

Mr. CALIO. The prototypes are in development by the two contractors. They are being tested this summer, and then the best, most competitive system will be selected for production at the end of summer and will go into production the beginning of fiscal year 1987.

Senator LAUTENBERG. Fiscal year?

Mr. CALIO. The first one will come off the line in 1989. We will be producing them at the rate of three or four a month.

TOGA

Senator BUMPERS. There is one other thing. I saw a story in the Times Sunday on the ocean levels having increased 1 to 2 inches in the last 10 years as a result, apparently, of the greenhouse effect. You mentioned that in your statement. That is the International Tropical Oceans and Global Atmosphere Program?

Mr. CALIO. Yes.

Senator BUMPERS. Why do you think up those names?

Mr. CALIO. TOGA, say TOGA. It sounds less specific.

Senator BUMPERS. Are you making any recommendations to this country and to the rest of the world on what, if anything, to do about that? They say about 100 years off and it is difficult getting anybody's attention around here on what is going to happen 100 years from now.

Apparently a lot of coastal cities are going to be flooded 100 years from now if the trend continues.

Mr. CALIO. Go ahead.

Mr. THOMAS. We haven't detected any significant increase in the sea level yet. We have the measuring systems in this budget to put in new gauges to detect the first couple centimeters of this rise, if it occurs, but we did not detect it yet.

Senator BUMPERS. Did you see the story in the Times Sunday?

Mr. THOMAS. Yes, sir.

Senator BUMPERS. Who was it that did that study? It was not the National Academy of Sciences?

Mr. THOMAS. This has been a Popular Science treatment for some time. There have been half a dozen people that put speculative pieces out that the carbon dioxide is increasing, but the increase in the ocean water level has not been observed yet.

Senator BUMPERS. This story specifically said that it was up 1 to 2 inches.

Mr. THOMAS. That isn't right.

Senator BUMPERS. You just contradicted that sum?

Mr. THOMAS. Yes, sir.

Senator BUMPERS. Did anybody see the Times story Sunday?

Senator LAUTENBERG. I saw the Times story and the tide.

Mr. CALIO. I didn't see it, sir.

Senator BUMPERS. OK. Thank you.

Senator LAUTENBERG. The Sandy Hook proposal recently submitted by New Jersey is a very good one, and on a very serious note, I would appreciate it if you would give a good look. I urge you to give it your full consideration. If you or people in your office can get back to me when you have time, in a week, maybe, we will ask for an expedient review.

Mr. CALIO. Yes, sir.

LANDSAT/EOSAT REPROGRAMMING

Senator LAUTENBERG. I appreciate it. Thanks very much.

Senator RUDMAN. On March 18, one of your contracting officers signed an amendment to modify the existing LANDSAT contract with the Earth Observation Satellite Company. The amendment dramatically changed the nature of the program, because it essentially replaced two satellites with a single one called OMNISTAR, which has replaceable sensors. It was intended, I guess, that the Space Shuttle is going to service this, launch it, and have a design life of 15 years.

My question is based on that background, No. 1, was the Congress ever notified or consulted before the contract was modified? Were any committees informed? Were reprogramming procedures used? And if not, why not?

Mr. CALIO. No, there was not; no reprogramming request was sent forward, because no reprogramming was necessary. This was because at the end of the calendar year for the proposal that was submitted, which I think it was some time in late summer, we put together a technical team to assess its technical risks, and we put together a national team to assess the costs.

There seemed to be no substantial technical risks and no increase or change in costs associated with it. So there was no reprogramming necessary.

Senator RUDMAN. Whose opinion was it within the agency, if the question was asked? Did you get an opinion from within your agency staff that reprogramming was not necessary? Did someone tell you that?

Mr. CALIO. Yes.

Senator RUDMAN. Who said that?

Mr. CALIO. My budget and finance people. With respect to the Department, I don't think I asked the Department specifically.

Senator RUDMAN. I must say that our understanding here is that you ought to consult with the staff whenever there is a major change in a program, not just whether there are cost changes or not, but a major change in the program that was authorized and appropriated. It is our clear understanding in the Appropriations Committee that this does require reprogramming. Those reprogrammings are not withheld very often.

Mr. CALIO. It is my understanding we are fulfilling all the obligations of that LANDSAT program.

Senator RUDMAN. Section 606 of Public Law 99–180, which is what we operate under and what you operate under, says that, among other things, "None of the funds shall be available for obligation through a reprogramming," and then it goes on, and one of the provisions is, "reorganizes offices or program activities." You really changed it.

Mr. CALIO. We didn't change the basic concept.

Senator RUDMAN. You went from two satellites to one satellite.

Mr. CALIO. We have two satellites, two platforms. We have two platforms, not one, two. Now we changed the lifetime, the anticipated lifetime of those platforms, and we changed the surface life.

Senator RUDMAN. I would say that is a major change.

Mr. CALIO. There are still two platforms providing the same service capability.

Senator RUDMAN. But with a single platform to be launched by the shuttle.

Mr. CALIO. Two platforms, sir. We changed two.

Senator RUDMAN. You are not going to have a single platform, you will have two platforms?

Mr. CALIO. We will have a single platform, but in the concept, we have two polar orbiting satellites with two polar orbiting platforms. The question is when we launch them. Instead of the 3- to 5-year lifetime anticipated with the spacecraft, we now have an anticipated lifetime of 10 to 15 years.

Senator RUDMAN. I will have the staff send you a letter as to why we think notification should be made. And if you want to stick to your guns, let us know.

Let me ask you this question. Does the modification assume that the full $250 million subsidy is going to be paid to the company, even though the administration is proposing to terminate the subsidy?

Mr. CALIO. I'm sorry. Would you repeat it?

TERMINATION OF SUBSIDY

Senator RUDMAN. Sure. The contract modification looks to us like it may assume that the full $250 million subsidy is going to be paid to the company. But the administration is proposing to terminate that subsidy.

Mr. CALIO. Correct.

Senator RUDMAN. Explain that one.

Mr. CALIO. I commented earlier. We are trying to rework a proposal that seems to make sense.

Senator RUDMAN. This doesn't make sense right now.

Mr. CALIO. Not right now.

Senator RUDMAN. As long as we agree it doesn't make sense, we can go on.

Mr. CALIO. As the administration proceeds, we will either come back and terminate that program, or we will provide some other alternatives.

Let me come back to the issue about one versus two satellites. I am not quite clear what you want from me. I am prepared to work with the staff on this.

Senator RUDMAN. We will send you a letter outlining specifically why we think reprogramming was necessary. We are not accusing anyone here of deliberate deception or anything of that sort. We just seem to have a lot of trouble sometimes with people doing things when we believe that reprogramming is required. It may not be in this case. At first blush, we think it is, and we will write and tell you why we think it is, and we will give you an opportunity to respond. It is a little late now.

Mr. CALIO. Let me ask you to do this. We have an internal report.

Senator RUDMAN. Why don't you send that to us?

Mr. CALIO. Before we start getting caught in the correspondence transfers, let me give you a copy of that engineering assessment, all right?

Senator RUDMAN. Fine.

Mr. CALIO. Let your staff take a look at that. If we have any problems, we'll sit down and work it out.

LAUNCH AND SERVICING COSTS OF OMNISTAR

Senator RUDMAN. Fine. Have you got an estimate from NASA on the launch and servicing costs for OMNISTAR?

Mr. CALIO. We had our preliminary discussions, and where NASA revalidated the numbers they had given us earlier. We have not received it to get a detailed, hard proposal in writing from them yet, because the concept is not completed.

Senator RUDMAN. Well, you see, that comes back to another question, and not a reprogramming question, but essentially a policy judgment question. You agreed to a contract modification, but you really don't have a full report yet on additional costs to NOAA that are going to come from NASA. That seems to me——

Mr. CALIO. They don't come from NASA. We are going to pay for it. It is in our budget.

Senator RUDMAN. I understand that, but you don't know what those costs are going to be.

Mr. CALIO. The first indications are that the shuttle costs are going to be the same.

Senator RUDMAN. I would seriously doubt that, from what I know, but I just make the general observation that you have had a major modification here. I am not sure you have all of the information you need.

Mr. CALIO. We had a NASA team participating with us in the generation of the report.

Senator RUDMAN. I think over the next several years, you will find some of these NASA costs increasing.

Mr. CALIO. This was pre-*Challenger*.

Senator RUDMAN. I understand all that.

Mr. CALIO. What happens with respect to post-*Challenger*?

Senator RUDMAN. We are dealing with the world as it is, not as we would like it to be.

Mr. CALIO. I don't think anybody knows the costs at this point in time.

Senator RUDMAN. That is my point.

Mr. CALIO. As far as Shuttle costs.

ACID RAIN

Senator RUDMAN. One of the programs which is going to be continuing at its present level is Air Quality Research, which includes participation in National Acid Precipitation Assessment. How does your research contribute to the program, and how does it differ from EPA's research? I obviously support that. I am curious as to what the difference is.

Mr. CALIO. As a matter of fact, I sit on a joint council that is made up of EPA, NOAA, the USDA, Energy, Interior, and we have a cooperative group; it is the National Acid Precipitation Assessment Program in which there is in 1980 something close to $65 million. The director of research actually is a NOAA employee, and he works with the other agencies, and he actually reviewed the elements of that program; we meet regularly to see that those elements that are carried out do not overlap and indeed are direct at providing valuable assessments.

Our contribution to that is primarily in the atmospheric processes part at about $4.4 million a year. OK?

Senator RUDMAN. OK.

SATELLITE COSTS

Last year, the committee discovered about $12.6 million in unnecessary, unreported expenditures in the satellite programs that we used for appropriations. In that regard, you mentioned in your written statement that the total estimated cost for the GOES program is $100 million less than originally thought. The savings will not begin until 1988. To be perfectly frank, working through our budget process this year, we could use some of those savings now.

Is there any possibility that a portion of those savings could be assumed for fiscal year 1987, and if your answer would be——

Mr. CALIO. I would be surprised at that, because most of those costs are pretty heavily front-end loaded, and the reason for that is, that is how we can save on the overall costs. We make a bulk buy for all of the materials in the early part of the program and make them as a batch buy. To push that back on those guys, I think, would probably increase the cost of the program.

Senator RUDMAN. What I would like to request is that your people work with the subcommittee staff to take another look at that and see if there is any possibility of reestimating costs of the satellite program for fiscal year 1987 based on the latest information which you now have, based on what you might have had at the time the budget was put together.

As we are working through your budget this year, it is going to be very important to make sure that we don't appropriate funds in some areas that may not be necessary and end up not having some very necessary funds in others.

Mr. CALIO. Yes.

Senator RUDMAN. You have proposed to rescind $63.3 million in funds appropriated to the Sea Grant and Coastal Zone Management programs. The rescission period ended, legally, yesterday. These funds must be made available for obligation under the Budget Act. Are you prepared to disburse these funds quickly—especially in regard to the long rescission delay—as is now required?

Mr. CALIO. Yes, because in some of these cases, we had funded some of these States and universities through this period.

Senator RUDMAN. As far as the $63.3 million is concerned, you are prepared to start moving that out?

Mr. CALIO. Yes. Yes, we are.

SUBMITTED QUESTIONS

Senator RUDMAN. Well, I thank you very much for your time this morning, and if we have any other questions, we will send them over to you, and I expect the staff to send things over for clarification.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR RUDMAN

QUESTION:

The Federal Government is subsidizing two Landsat satellites to facilitate the commercialization of the land remote sensing program. "The Omnistar proposal opens the possibility of revenues from other earth observing sensors on the same platform as the Landsat array." (Omnistar Task Force Report, page 6). Will the government receive all or a portion of the revenues from the utilization of space for other sensors? Will NOAA or other federal agencies be required to pay for available sensor space on the Omnistar platforms?

ANSWER:

If EOSAT determines that it will continue with Landsat in light of the budget proposal to provide no further subsidies, the Government would own the Omnistar spacecraft, the Government-provided Landsat sensors, and the data from those sensors for the Landsat 6 and 7 missions as provided by contract. According to the contract (Modification No. S004), EOSAT has the right to add additional payloads to Landsat 6 and 7 and retain any revenues generated as a result thereof, provided (1) NOAA determines that additional payloads will not interfere with the Landsat mission and authorizes EOSAT to fly these payloads and (2) EOSAT does not terminate Landsat operations. If EOSAT terminates Landsat operations pursuant to Special Contract Requirement H-30, "Contractor's Right to Terminate," EOSAT loses the right to these revenues. EOSAT will have to negotiate separate contractural arrangements for using extra space on the Omnistar with NOAA or other Federal agencies requesting space for a payload.

QUESTION:

The Administrator of NOAA asked a task force to evaluate the use of the RCA Omnistar as the spacecraft in the Landsat commercialization contract. The task force spent 3 days reviewing this concept in detail. Five policy issues, two technical issues, and two cost/contractual issues were reviewed. In addition, on March 18, 1986, the Landsat commercialization contract was modified. Were the House and Senate Appropriations Committees notified of the establishment of this task force or of the contract modification pursuant to the reprogramming procedures in Section 606 of Public Law 99-180? If not, why not? As a courtesy, were the House and Senate Appropriations Committees notified of any of these activities. If not, why not? Does NOAA believe the Congress has no interest in the implementation of the Landsat commercialization program?

ANSWER:

The House and Senate Appropriations Committee were not notified of these activities because the modification was considered to be strictly an engineering change that was not required to be submitted to the Congress.

NOAA has a history of notifying the Congress on all issues that are covered under the reprogrammaing procedures and we certainly believe that the Congress has an interest in the Landsat Commercialization program.

QUESTION:

Does NOAA still have a commitment from NASA to provide for two launches of Landsat satellites for $44.9 million? Has NASA provided an estimate of the costs to NOAA and/or EOSAT associated with servicing the instruments on the OMNISTAR platform? What is the estimate for launch and/or service costs beyond the two launches previously agree upon? Who will pay these costs?

ANSWER:

Yes, NOAA has a commitment from NASA to provide for two launches of Landsat satellites for $37.9M plus the costs to modify the spacecraft for Shuttle compatibility estimated at $7.0M for a total of $44.9M.

However, EOSAT has not yet indicated whether it will continue its Landsat efforts in light of the 1987 budget recommendation to provide no further Federal subsidies because this program primarily benefits private interests.

QUESTION:

The Commerce Department has proposed to eliminate the current polar METSAT program in favor of an Omnistar program. What is the status of this request to the Office of Management and Budget?

ANSWER:

We are not at liberty to discuss proposals pending review within the Administration.

QUESTION:

What is the Omnistar's basic operational concept? (Include such aspects as launch site, type of launcher, whether Omnistar would require assembly before sending it into operational orbit, frequency and length of service period, growth potential and life expectancy).

ANSWER:

We are not at liberty to discuss proposals pending review within the Administration.

QUESTION:

Since the Omnistar orbit is lower than the current METSAT, what assurance is there the mission could be accomplished at a lower orbit?

ANSWER:

We are not at liberty to discuss proposals pending review within the Administration.

QUESTION:

If Omnistar is approved, will the current METSAT sensors need to be modified, and if so, to what extent? What will be the additional cost involved? What are the technical risks involved in servicing Omnistar? (Every two years each Omnistar would be lowered to orbit to shuttle orbit, serviced and returned to operational orbit.)

ANSWER:

We are not at liberty to discuss proposals pending review within the Administration.

QUESTION:

If EOSAT is to operate Omnistar, who will own the spacecraft, sensors, and data?

ANSWER:

We are not at liberty to discuss proposals pending review within the Administration.

QUESTION:

Compare the cost of Omnistar Landsat proposal and the cost of the Omnistar METSAT proposal with funding for a two polar orbiting METSAT program. Compare the following costs: spacecraft, procurement, launch by shuttle/CELV, servicing, sensors, and ground stations.

ANSWER:

We are not at liberty to discuss proposals pending review within the Administration.

QUESTION:

Provide a schedule of launch dates for the current polar orbiting METSAT system, as well as a one polar orbiting METSAT system, and indicate the data gap that will occur due to the delay in contracting for METSAT's K,L, & M. Why has there been a delay in moving forward with this program?

ANSWER:

The planning launch schedules for the polar-orbiting METSAT system is as follows:

	One Satellite System	Two Satellite System
NOAA G	6/86	6/86
NOAA H	3/87	3/87
NOAA D	----	6/88
NOAA I	9/88	3/89
NOAA J	3/90	6/90
NOAA K	9/91	3/91
NOAA L	3/93	6/92
NOAA M	9/94	3/93

On a nominal schedule, it will take approximately 65 months from program go-ahead to delivery of NOAA K. If we started the NOAA KLM spacecraft procurement now, the first spacecraft would be ready approximately 10/91, one month after the nominal launch date for a one spacecraft system that is recommended in the President's Budget. Even in a two spacecraft system, there is a high probability that a potential delay could be covered by extended operational life of previous spacecraft, and by delaying launches of replacement satellites when we have one fully operational spacecraft in orbit.

In the one polar program, there is a scheduled 6-month overlap period for each replacement satellite; this overlap period will be adequate to provide coverage until NOAA K is ready for launch.

QUESTION:

Indicate the amount of funds previously appropriated for NOAA K,L, & M, and the status of these funds.

ANSWER:

Through FY 86, the amount in the FY 1987 President's budget for NOAA KLM from appropriations is $6.2M. These funds are being used to procure AMSU and SEM instruments, and for the joint DOD/NOAA convergence study.

QUESTION:

Since servicing Omnistar could require one shuttle launch per year, what priority will NOAA have in launches from the Western Test Range? If the Air Force is to fly the shuttle and perform maintenance on service flights, what costs will be involved? Will personnel be available and special training be necessary?

ANSWER:

Since the national space launch strategy is currently under review by SIG Space, the National Security Council, and others, as a result of the Challenger accident, we do not know what priorities NOAA will have on the Western Test Range (Vandenberg Launch Site) for Shuttle launches to polar orbit. We do not have estimates of what resources and training would be required if the Air Force were to operate the Shuttle instead of NASA.

QUESTION:

The original LANDSAT contract provided that the government would retain title to the LANDSAT spacecraft and ground system. The contract modification provides for the Earth Observation Satellite Company (EOSAT) to retain possession of the ground system and operate the satellite on a no-cost basis after the expiration of the 10 year contract or to gain title to these elements at not costs. Who empowered NOAA to authorize the transfer of government property to the private sector absent either notification or approval of the Congress?

ANSWER:

Contract modification Number S004 states the intent of the Government "to provide for Landsat data continuity after the contract expiration date by permitting the Earth Observation Satellite Company (EOSAT) to retain possession of the ground station and the right to operate the Landsat 6 and 7 satellites under license on a no-cost basis or, if permitted by law and determined to be in the best interest of the Government by the Secretary of Commerce, to transfer title in the Landsat 6 and 7 satellites and ground station to EOSAT at no cost." The contract language underlined above clearly recognizes that the alternative for a no-cost transfer of assets can occur only with the authorization of the Congress and approval of the Secretary of Commerce and if EOSAT decides to continue with Landsat with no further Government subsidies.

QUESTION:

NOAA proposes to fund 1987 development costs of $47.5 million for the Next Generation Weather Radar Program, or NEXRAD, from the FAA Airport and Airway Trust Fund. What's the rationale for this proposal? Will both the FAA and Air Force components of this program also be funded from the Trust Fund?

ANSWER:

The reason for funding the NOAA portion of NEXRAD from the Aviation Trust Fund is that the aviation industry is the primary beneficiary of the enhanced warnings that NEXRAD will produce. FAA's portion also will be funded from the Trust Fund.

QUESTION:

The Congressional Budget Office and OMB will score the appropriation for NEXRAD as new budget authority whether or not we derive the funds from the FAA Trust Fund or the Treasury. Therefore, isn't the source of these funds irrelevant for your purposes?

ANSWER:

The source of these funds is relevant to the benefits to be derived from the NEXRAD program. The primary beneficiary of the NEXRAD program, by far, is the aviation industry. Therefore, we think it is appropriate to use the Trust Fund as a major source of the NEXRAD funds.

QUESTION:

As a result of the implementation of the NEXRAD program, you intend to propose a reorganization of the National Weather Service at some point in the next year. What is the status of such a reorganization plan and why is it necessary? Will the plan include the closure of weather stations?

ANSWER:

The reorganization plan is not yet complete. Currently, it is undergoing development by a joint committee comprised of members from

NOAA, the Department of Commerce, OMB, and the university representatives. The reorganization is based on the recognition that facilities and staff changes are needed to make the most cost-effective use of new technologies (NEXRAD, AWIPS, ASOS and the satellite observing systems).

QUESTION:

In 1986, The Congress provided $6.7 million for protected species and marine mammal research. The budget request would reduce this research to $3.5 million in 1987, including the elimination of Right Whale research in the North Atlantic. As the lead agency for marine mammal research and management, why is NOAA proposing such a dramatic reduction in this area?

ANSWER:

NOAA, in responding to the Administration's need to reduce Federal expenditures, has reviewed all its programs and prioritized them according to urgency of needs and requirements of various constituents. It was felt the proposed reductions could be made in protected species research without seriously jeopardizing the protection afforded the subject species by existing regulations. The highest priority for the remaining research program was assigned to studies on marine mammal/fisheries interactions with the major emphasis being on information required to allow issuing of permits to domestic fishermen that are participating in fisheries that have significant interactions with marine mammals or other protected species.

QUESTION:

The President's budget proposal askes for "new funding ($800,000) to begin a five-year research program on Eastern Tropical Pacific dolphin" (page 10, FY 1987 Budget Summary). As we understand it, this program is composed of 3 parts: A.) $250,000 for aerial and ship surveys of porpoise; B.) $400,000 for work with observer data; and C.) $150,000 for analysis of biological samples.
Please provide a written description of each of these elements.

1. Of the 3 elements, B and C are continuations of similar efforts that have been conducted in the past. Is A the only new effort.

2. Will any of this money go toward restoring observer coverage of the U.S. fleet, which was reduced to cover the Mexican fleet for CY 1986? Who will pay for observers on Mexican vessels in CY 1987?

ANSWER:

First, note that the budget breakdown within the first part of this question is not current. It was a very early estimate that has since been modified. A new budget summary encompassing each element is provided below.

Of the three elements, research vessel surveys form the backbone of our monitoring plans because they provide the most reliable, operational tool available to use at this time. Through consultations with staff, Marine Mammal Commission (MMC), Inter-American Tropical Commission (IATTC), the tuna industry and academic scientists, NOAA designed a survey to detect biologically signficant changes for the ETP Dolphin population. The program will consist of six annual 240 day surveys spanning five years; the first survey is scheduled to begin in July 1986. The 5 million square mile area to be surveyed by the NOAA Ships Jordan and MacArthur is the range of the dolphins associated with the eastern tropical Pacific Ocean tuna fishery. The surveys will be conducted using line transect procedures designed to detect at least 41% cumulative decline in abundance at the end of the monitoring program with a 90% probability of detection. And because consistent estimation of dolphin school sizes is necessary if population trends are to be accurately monitored, a helicopter and launching facilities will be provided for the Jordan.

In addition to the research vessel surveys, two other elements will be included. As a second program element, NOAA will continue to monitor biological parameters, primarily reproductive ones, looking for "early-warning" responses to changing population size. Even if collection and subsequent analysis of these parameters do not result in a trend measurement, the work will provide information on how rapidly the population can grow. We need this information to determine whether the estimated fishing mortality is likely to be biologically significant. Note that only $25K of the proposed $800K budget will go towards funding this element.

As a third element, in cooperation with the IATTC, NOAA will be evaluating data collected by observers aboard tuna vessels for use as an indicator of population trends. Because of the manner in which tuna vessels search for dolphin schools (non-random and concentrated in areas of highest abundance) and the fact that a majority of the tuna fleet, in the future, is likely to be predominantly non-U.S., there is no guarantee that these data will provide an acceptable basis for monitoring trends.

In any case, a panel of scientists convened by NOAA agreed that before the tuna vessel observer data can be used to estimate trends in population size, at sea experiments must be conducted using tuna vessels. The purpose of these calibration experiments is to validate any conclusion drawn out of the analysis of past observer data concerning population trends. Experience collecting data at sea indicates we will need at least two 60 day periods at sea to detect sufficient number of schools for any statistically valid conclusion regarding the relationship between tuna vessel and research vessel dolphin encounter data.

During the remaining years of the project, funds used in the initial years for the helicopter purchase and installation of a landing pad and safety features will be used for the two tuna boat experiments to test hypthesized relationships between tuna vessel and research vessel dolphin encounter rates. A total of $315K would be utilized each fiscal year for this study.

FY 87 DOLPHIN SURVEY BUDGET

Operations:	
Observer salary	$185.0
Supplies	20.0
Permanent equipment	10.0
Analysis	40.0
Travel	10.0
Helicopter operations [1]	170.0
Helicopter Purchase:	
Aircraft	240.0
Landing pad fabrication & installation	75.0
Biological Sampling:	25.0
Tuna Observer Data:	25.0
TOTAL (FY 87)	800.0

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[1] This includes pilot and mechanic's salary as well as operations costs.

ANSWER:

In response to subquestion A, the answer is no. In reality, all three general approaches have been investigated in the past. Research vessel surveys in the ETP have been conducted from 1976 through 1983. However, during any one year only a small portion of the area inhabited by the dolphins was surveyed.

Collection of biological information has also been pursued by NOAA since the inception of the ETP marine mammal programs and a very large life history data base has been amassed. It is this relatively long time series that will allow future comparisons. However, the biological parameters that we are measuring are dynamic and dependent upon the population densities. Thus, continual collections and analyses are required.

Analysis of observer data has also been attempted in the past. In fact, results of those analyses will be the starting point of our proposed statistical analyses, data modeling and field calibration experiments.

In response to subquestion B, none of the requested funds will be used to restore coverage of the U.S. fleet. Funding to the IATTC for the CY 86 Mexican fleet coverage was provided by a one-time transfer from the SW Regional Office, which manages the U.S. tuna observer program. These funds will revert to the Region in FY 87, for continuing use in the U.S. tuna observer program.

We understand that IATTC has requested extra funds to pay for observers on Mexican vessels in CY 1987 through its regular budgeting process.

QUESTION:

The 1986 budget assumes that the Department of Defense will reimburse NOAA for the total cost of nautical and aeronautical charts. What is the reimbursement assumed to be paid to NOAA in 1986 and 1987? Has DOD objected to these payments this year?

ANSWER:

During an April 15 meeting with OMB, representatives of DMA stated that $10.3 million had been identified in two separate Department of Defense reprogramming actions to cover charges for FY 1986 chart compilation and data base maintenance. Reimbursement from DOD will increase from $10.3M to $11.5M in FY 1987.

QUESTIONS SUBMITTED BY SENATOR WEICKER

Coastal Zone Management

QUESTION:

As you know, Congress recently passed and the President signed the Omnibus Budget Reconciliation Act of 1985. Title VI of that legislation contained a 5-year reauthorization of the CZMA. The reauthorization provides for sliding Federal/State matching grants to a final ratio of 1:1. Elimination of all Federal funding for CZM may mean that program activities in some states would be adversely affected - activities that are part of the national interest in protecting and developing coastal resources. Has any effort been made between NOAA and the states to prepare them for total elimination of Federal funds?

ANSWER:

Since FY 1981, the States have been notified of the Administration's intent to eliminate all Federal funds now being received by the States for management of their coastal programs.

Fish Oil Research

QUESTION:

As a result of a joint conference last June, NOAA and the National Institutes of Health are presently collaborating on research relating to the health effects of Omega-3 fatty acids, found primarily in fish oils. In the past, NIH has funded research on Omega-3 fish oils and is committed to an accelerated effort in future years. Preliminary data suggest that these fatty acids may play a vital role in the prevention of cardiovascular diseases and cancer. NOAA, using a $1 million Congressional add-on in FY 1986, is beginning a ten-year program to develop the test material necessary to carry out the health research. Why has NOAA eliminated funding in FY 1987 for its portion of this research initiative?

ANSWER:

This activity involves the manufacture of pure Omega-3 test materials; the preparation of which is within the capabilities of the pharmaceutical industry. NOAA will develop the standards and first products for NIH during FY 1986. Consequently, the Administration believes this function would be more appropriately conducted within the private sector. This could be accomplished either through a support contract funded by NIH or by direct purchase/contract from appropriate grantees. It is the Administration's position that this activity can best be accomplished by the private sector, as it realizes the economic benefits.

QUESTION:

The time seems appropriate for a formal memorandum of understanding or interagency agreement between the Department of Commerce and NIH. What are your thoughts on such an agreement?

ANSWER:

NOAA's National Marine Fisheries Service is presently drafting a memorandum of understanding (MOU) between the National Oceanic and Atmospheric Administration, the National Institutes of Health (NIH), and the Alcohol, Drug Abuse, and Mental Health Administration (ADAMHA) on supporting research on seafood and fish oils in the human diet.

The memorandum will describe the conditions under which NOAA/NMFS would supply test materials to NIH/ADAMHA-approved research activities including those of independent researchers funded by others sources.

Deactivation of NOAA Ships

QUESTION:

Once again this year, NOAA is proposing to deactivate more than half of the vessels in the NOAA fleet in favor of contracting for commercial vessels. Eight fishery research vessels are among those proposed to be laid-up. The use of chartered vessels may disrupt the consistency of long-term data collection and have a negative effect on overall data quality. My question to you is, has NOAA conducted or completed any studies which substantiate the assumed cost-savings from the use of chartered commercial vessels, and how will this contracting-out affect data quality?

ANSWER:

NOAA has used charter vessels to supplement the core capability of the NOAA fleet but has not conducted a detailed cost analysis of chartered versus NOAA vessels. NOAA presently plans to keep its vessels in reserve to fill in the void when commercial fishing vessels are unavailable in the market place and to supplement the remaining core capability.

NOAA will be in a position to determine the proper mix of inhouse vessel operations and chartering once the chartering market place has been better defined through experience. GAO has recently studied use of NOAA versus chartered vessels but has not yet published its findings. To assure continuity of data, NOAA will provide fishing gear and related specifications to charter vessels.

QUESTION:

Has NOAA looked into the availability of contractors in each region of the country before advocating the widespread use of commercial vessels for fishery research?

ANSWER:

NOAA experience in the use of charter vessels to supplement the NOAA fleet indicates that charters are generally available. NOAA vessels could be reactivated to fill in the void if commercial vessels are unavailable in the market place -- during period of heavy demand for vessels during the fishing season.

Sea Grant and Marine Biotechnology

QUESTION:

There is great potential for marine plants and animals to contribute to increased food production, sewage treatment and medicine through biotechnology. We have already seen many instances where genetic engineering has proven beneficial in producing better aquaculture strains and medicinal vaccines. Sea Grant currently spends about $2 million on marine biotechnology projects and is responsible for funding most of this research in the Federal Government outside of aquaculture activities. Do you intend NOAA to play a major in marine biotechnology research in the future?

ANSWER:

With the termination of the National Sea Grant College Program, NOAA would not play a major role in marine biotechnology research. The potential commercial applications for the results of such research argue that this work is more appropriately supported by the principal industrial beneficiaries.

QUESTION:

Did NOAA and the DOC request any funding for an expanded research program in marine biotechnology in Sea Grant for FY 1987?

ANSWER:

Yes, NOAA and the Department of Commerce requested a $4 million expansion of the Sea Grant research program in marine biotechnology for fiscal year 1987 with reductions in other research areas.

Sea Grant International Program

QUESTION:

In 1976 the Sea Grant Program Improvement Act established an international research program. Both U.S. and foreign personnel participated in the projects, which ranged in location from Latin America to India. These projects, budgeted at $900,000 in 1978, included fisheries management, economics and marketing, and the design and maintenance of small fishing harbors. The benefits of the program were obvious; international projects paved the way for cooperative research and allowed the U.S. to perform scientific studies in foreign territorial waters when politically it may not have been possible to do so. However, By 1982 the program had been eliminated.

Have you considered expanding Sea Grant's role internationally, particularly with an eye to how the program could work closely with the national marine fisheries service and undersea research program?

ANSWER:

In 1982, the Sea Grant international program was suspended in order to focus resources on other R&D, education, training and technology transfer activities. Some Sea Grant institutions maintain an expertise in international projects developed during the four-year life of the program (1978-1981). While those institutions will not be supported directly through Sea Grant, NOAA like other agencies, can draw on their academic expertise when necessary to support core missions like the programs of the National Marine Fisheries Service.

North East Right Whale Program

QUESTION:

Last year Congress appropriated $500,000 to initiate a research program on the endangered right whale in the Western North Atlantic. I strongly support this research. The only known population of any significance in the Northern Hemisphere is in the Western North Atlantic, with a population of about 200 animals. It will take a number of years of monitoring in order to instigate any procedures that may enhance the right whales' survival. As I understand it, 80% of the monies have been released for this program. When will the remaining funds be available?

ANSWER:

The remaining funds appropriated by Right Whale research are proposed for reprogramming to offset the impact of Gramm-Rudman reductions in the National Weather Service. This action would allow NOAA to avoid the furlough of weather forecasters for eight days and the disruption of weather services to the Nation. If the reprogramming action is denied the funds would become available later in the fiscal year.

QUESTION:

Why was $35,000 redirected from this program for an IWC observer in Japan?

I would appreciate being kept up to date on the status of this program, particularly after research priorities have been set after the May 14 meeting with involved parties.

ANSWER:

Congress eliminated funding for the IWC observer program to monitor the Japanese take of Bryde's and sperm whales under the U.S. - IWC observer program agreement but directed NOAA to continue the activity. Hence, it was necessary to redirect some funds from a funded activity to one that was mandated as necessary to support, but was unfunded.

Aquaculture

QUESTION:

The proposed reduction (-$3.347 million) in stock enhancement and disease research would terminate NOAA's aquaculture program. The Galveston, TX lab would be closed, and the Milford, CT lab would be severely reduced. These labs work with commercially important species of shrimp and shellfish, and provide the aquaculture industry with basic biological data as well as information on operating hatcheries and shellfish beds.

The aquaculture industry in this county is still in the development stage, with a need for basic and applied research to select and develop techniques and strains of organisms which will allow economical production. Why then does NOAA repeatedly propose to terminate its aquaculture research program?

ANSWER:

We believe that where private industry sees that economic gain can be realized from aquaculture of marine species, they will invest in necessary research. For example, private industry is currently involved in, and has production level activities in some of the same species (salmon, oysters, clams, etc.) for which NMFS researchers are conducting studies. Although no annual surveys are conducted to determine the annual investment of the U.S. aquaculture industry, information collected in 1983 indicated the following levels of private sector investment for some of the major species in production at that time.

Species	Investment $K
Catfish	$400
Crawfish	100
Salmon	50
Marine shrimp	45
Freshwater prawns	3
Baitfish	100
Trout	200
Abalone	4-10
Oysters	(considerable production but no investment estimate)

Estuarine Sanctuaries

QUESTION:

Estuarine Sanctuaries provide natural laboratories to study and gather data concerning the natural and human processing occuring within coastal zone estuaries. We presently have 15 sanctuaries throughout the U.S., with two to be established in 1986 and one in 1987. It is NOAA's responsibility to manage these valuable systems and to establish educational programs, research priorities, visitor use policies, and construction plans.

Why is the agency reducing its funding and management activities for this program?

ANSWER:

The $800K add-on received in FY 1986 is not needed in FY 1987 for the National Estuarine Reserve Research System. Acquisition of new sites in the system is now limited to one site per year. The acquisition phase normally takes three to five years to complete and it is appropriate to phase the funding over this same timeframe. The funding level submitted for FY 1987 is sufficient to manage and conduct research in the seventeen established national estuarine reserves.

Product Quality and Safety Research

QUESTION:

The Administration is proposing that research on fishery product quality and safety be cut by $4.555 million, with a loss of 86 positions at 6 NOAA labs. NOAA's budget justification document states that the costs of this research are more properly born by the private entities (such as harvesters, processors and distributors) who benefit from consumer demand for fishery products. However, it seems to me that Government involvement in product quality and safety research is appropriate in light of its relation to public safety and health.

Which research programs would be cut by this funding decrease, and what research would remain?

ANSWER:

1. GLOUCESTER LABORATORY (Program to be terminated)

   a) Fishery Chemistry Investigations:

   Product quality research including development of species identification methodologies based on biochemical (isoelectric focusing) and immunological (monoclonal antibodies) techniques. Also includes nature of textural changes in frozen fish; effects of handling, storage and processing on seafood quality; and development of nutritional data on fresh and processed seafoods.

   Product safety research includes determination of baseline levels of PCBs and petroleum hydrocarbon residues in fish and shellfish. This program provides contaminant data relating to the health of the environment.

   b) Fishery Technology Investigations:

   Applied preservation and processing research including (1) technology transfer for fishery utilization research programs, (2) the application of technological advances to the quality assurance of fresh and frozen seafoods, and (3) applied research studies on the utilization of fish processing wastes and improving the efficiency and productivity of seafood processing.

2. SEATTLE LABORATORY (Program to be terminated)

   a) Underutilized Northwest Species

   Research on: (1) effect of vessel handling procedures on product quality, (2) effects on quality from freezing at sea, (3) use of minced fish to enable total utilization of fish resources, (4) methods to reduce or eliminate the uptake of sodium into fishery products.

   Development of profiles of sensory characteristics of traditional vs. unfamiliar species.

b) Microbiological Safety Research - Clostridium botulinum.

Development of processes for fishery products which are preserved short of sterilization (e.g., cured, smoked products; those stored under low-oxygen atmospheres) that preclude the danger from food poisoning organisms.

3. KODIAK LABORATORY (Program to be terminated)

The Kodiak laboratory is a part of the Seattle laboratory's total program, which is described above.

4. PASCAGOULA LABORATORY (Program to be terminated)

The National Seafood Inspection Laboratory in Pascagoula, Ms., provides technical and scientific support services to the national voluntary seafood inspection program. It conducts and coordinates chemical, physical, microbiological, public health, nutritional, and food processing research studies designed to provide standards of seafood safety, quality, and sanitary handling. It serves a focal point for product risk assessment. It provides rapid response capability to address possible life-threatening situations involving USDC-inspected fishery products.

5. WASHINGTON OFFICE (Program to be reduced)

This office serves as the principal source of advice and guidance to the Deputy Assistant Administrator for Science and Technology on scientific and technical matters related to the utilization of fishery products in terms of their safety and quality.

CHARLESTON LABORATORY (Program to be reduced)

Current program includes research on raw materials handling systems; nutritional and edibility characteristics of traditional and underutilized species; process/product/equip- ment interactions; methods for product improvements; effectiveness of preservation methods; and identity, levels, and public health significance of environmental contaminants in fishery products.

In addition, this laboratory has recently assumed responsibility for the production, quality assurance, and distribution of test materials to NIH-approved clinical researchers studying the effects of dietary fish oil on cardiovascular and related diseases.

The above program will be reduced to a small core research effort focused primarily to address critical product safety issues that should arise. Essentially all technology activities will be terminated.

QUESTION:

Does NOAA have any evidence that the research to be eliminated would be continued by private industry?

ANSWER:

It is the Administration's opinion that where industry sees an economic return in this type of research it will make appropriate investments to ensure its continuation. Until the Federal Government removes itself from this research, it is not possible to know what private industry will assume and continue.

National Status and Trends Program

QUESTION:

A 48% cut (-$5.8 million) is proposed for NOAA's ocean assessments program, which includes the National Status and Trends Program and research on the biological effects of toxic pollutants in estuaries. NOAA's National Status and Trends Program is the only Federal program currently measuring environmental quality conditions throughout coastal and estuarine areas of the U.S., and is designed to determine long-term, general trends in environmental quality.

Given the need for long-term trends data in designing and evaluating the success of pollution control strategies, why is NOAA seeking such a drastic cut-back in this program?

ANSWER:

Field work of the National Status and Trends Program will be eliminated. However, activities in (1) water quality sampling and modeling of Mid-Atlantic and Gulf of Mexico coastal waters; (2) applied research and assessments of the consequences of contaminants on coastal and estuarine environmental quality (particularly the effects of toxic compounds on the reproductive capabilities of fish populations); (3) generic ocean disposal assessment and research activities; and (4) the NOAA Quality Assurance Program for Environmental Quality Measurement will continue. Sufficient funds will be available to analyze the first three years data from the National Status and Trends program. Other continuing activities include the synthesis of information on coastal and EEZ regions under the strategic assessment program and activities related to hazardous materials spill response.

Regional Fishery Management Councils

QUESTION:

The Regional Fishery Management Councils were established under the Fishery Conservation and Management Act to develop management plans for fisheries in the Exclusive Economic Zone. NOAA provides technical and adminstrative assistance to the 8 councils, but this funding would be cut by 49% (-$3.5 million) in FY 1987. NOAA's budget justification states that this reduction is tied to a reduction in the number of fisheries considered to require management; the list of 80 fisheries originally thought to require management would be cut to 40.

Does this reduction mean that NOAA now has sufficient scientific information on fully half of these fisheries to be assured that management plans are not necessary?

ANSWER:

The $3.5 million decrease is proposed for Council administration and operations. This change results from increased efficiencies in administrative functions and a shift away from plan development to plan amendment and monitoring.

Although some 80 fisheries can be identified for management in the U.S. EEZ and Territorial Sea that could require management, NMFS and the Councils believe the most productive and controversial are now under management, or will soon be. Presently there are 32 FMPs and PMP's operative and another 8 are expected within a year or two. The Councils, faced with controversial allocation decisions within the fisheries managed by these FMPs, are concentrating their efforts on plan amendment. The NMFS is focusing its research efforts on these priority fisheries to assist the Councils in their tasks.

FOCI (Fisheries Oceanography Coordinated Investigations)

QUESTION:

What elements of the FOCI program are being deferred in FY 1987 with a proposed $1 million reduction in funding? How will this reduction affect the long-range goals of FOCI?

ANSWER:

The FOCI program was designed to provide short-term answers on pollock recruitment, and longer term forecasting capability for several major fishery stocks. A $2,000,000 level will somewhat reduce the scope of planned field programs to measure the correlation between larval survival and oceanographic and atmospheric conditions, defer the procurement of some equipment, and defer implementation of some new technology into research programs. Research in the Bering Sea will be deferred until after FY 1987. This proposal will not affect the long-range goals of the FOCI program.

ETP Dolphin Monitoring Program

QUESTION:

This year the "resource information" line item under fishery resources includes an increase of $800,000 for monitoring of dolphins in the Eastern Tropical Pacific associated with the U.S. Tuna Fishery. This would begin a 5-year dolphin monitoring and stock assessment program as mandated in the 1984 Amendments to the Marine Mammal Protection Act. I understand that the program would involve aerial and ship surveys of dolphin populations, analysis of observer data, and increased analysis of biological samples.

Which of these projects are truly new initiatives, and how would the $800,000 be divided among them?

ANSWER:

The ETP dolphin monitoring is an extension of approaches which have been investigated on a limited basis in the past. Three program elements are proposed. These are: 1) research vessel surveys; 2) monitoring biological parameters, primarily reproductive ones, as indicators of changing population size; and 3) evaluation of data collected by observers aboard tuna vessels, as indicators of population trends. In the initial year approximately $750K will be directed toward the survey element with the other two elements receiving $25K each.

QUESTION:

Will any of this money be spent for helicopters to conduct aerial surveys of dolphin?

ANSWER:

Yes, the majority of the FY 1987 new funding will go toward one-time purchase of the helicopter ($240K), one-time fabrication and installation of landing and safety facilities on one of the research vessels ($75K), and first year helicopter operations costs ($170K). Annual helicopter operational costs thereafter are budgeted at $170K (plus inflation increases). The helicopter will be transferred to NOAA's Office of Aircraft services, which will maintain and fly it for these surveys.

QUESTION:

I understand that the population surveys would only be able to detect, with 95% confidence, a decline of 40% or more in dolphin abundance over 5 years. Would conducting a greater number of surveys increase NOAA's ability to detect smaller changes in dolphin abundance?

ANSWER:

Yes, but with diminishing benefit/cost returns. With more ships, our ability to detect smaller changes and a greater number of species covered (the less frequently encountered species) will improve. But this gain in detection ability must be balanced against the rapidly escalating costs for additional ship time and personnel costs. For example, if we add another ship to the planned two-ship survey, our ability to detect declines in population size over the 5 year period improves from 41% to 34%. Our panel of outside experts did not feel the cost for the addition of the third ship was justified.

QUESTION:

How much money do you propose to spend on methods to reduce incidential dolphin mortality?

ANSWER:

None of the $800K is budgeted for investigating methods for reducing dolphin mortality. The IATTC has requested funds from the State Department to be used for an ongoing program to investigate use of high-intensity lamps to reduce sundown set mortalities. Next season, U.S. vessels will be using these lights. IATTC-requested funds will also be used to advise U.S. and foreign flag vessel operators on their gear and its deployment to make it as "dolphin-safe" as possible.

ETP Dolphin Monitoring Program

QUESTION:

Will any of the $800,000 requested for the Eastern Tropical Pacific Dolphin Monitoring Program go toward restoring observer coverage of the U.S. fleet, which was reduced to cover the Mexican fleet for CY 1986? Who will pay for observers on Mexican vessels in CY 1987?

ANSWER:

None of the requested funds will be used to restore coverage of the U.S. fleet. Funding to the IATTC for the CY 1986 Mexican fleet coverage was provided by a one-time transfer from the Southwest Regional Office, which manages the U.S. tuna observer program. These funds will revert to the Region in FY 1987, for continuing use in the U.S. tuna observer program.

We understand that IATTC has requested extra funds to pay for observers on Mexican vessels in CY 1987 through its regular budgeting process.

Antarctic Research

QUESTION:

The Convention of the Conservation of Antarctic Marine Living Resources of 1980 attempts to develop international cooperation and management of the marine resources of the Southern ocean. To date, the convention has been ratified by 21 countries, including the major fishing nations in the Southern ocean (West Germany, Japan, Poland and the Soviet Union). Under the Antarctic Marine Living Resources Act of 1984 (the implementing legislation for the convention) NOAA is directed to develop a comprehensive plan for research on marine living resources in Antarctica, in line with the ecosystem-level management concept embodied in the convention.

I understand that NOAA has been working with the National Science Foundation and the State Department on such a plan, yet I see no request for funding of Antarctic research in NOAA's FY 1987 budget. What is the status of the program development plan, and what levels of funding do you estimate would be needed in FY 1987 and 1988 to begin this research?

ANSWER:

The Program Development Plan is undergoing Administration review and will be sent when completed. The Department of Commerce (DOC) does not plan to ask for appropriations for the program at this time. Instead, the DOC will investigate other means of maintaining a U.S. effort, such as cooperative ventures with other government agencies and the private sector.

Habitat and Protected Species Research

QUESTION:

Many of NOAA's resource information programs are targeted for major cuts in FY 1987. For example, a 45% reduction (-$5.133 million) is proposed for habitat research, and research on protected species biology is cut by 42% (-$2.475 million). This research not only provides scientific information conservation and management programs within NOAA, but also forms the basis for NOAA's comments on environmental impact statements and permit applications under consideration by other Federal agencies. In the past, NOAA, through the National Marine Fisheries Service, has been a crucial advocate for conservation or critical fisheries habitat through consultation and comment with agencies such as the EPA and U.S. Army Corps of Engineers.

How will the proposed reductions in basic habitat and biology research effect NOAA's ability to make informed resource management decisions?

ANSWER:

The proposed reduction in basic habitat research will reduce by one-half the NMFS field research capability. Decisions on development and pollutions will be made based on historical data rather than current information relevant to the specific conditions in question.

The proposed reduction in protected species biology will reduce research on biological processes. In some cases, historical data will be adequate for management needs.

Great Lakes Research

QUESTION

Included in the $844,000 reduction for Ocean and Great Lakes Prediction Research is research on ice hazards, surface waves, and water level fluctuations. The justification for this decrease is that these activities are not the responsibility of the Federal Government and are more appropriately State and private sector concerns. I consider the use of the Great Lakes - among them shipping and fisheries research and production - to serve the national interest.

Is this type of research similar to that in the Great Lakes, and if so, why is it proposed to be terminated there?

ANSWER:

The GLERL research program in Great Lakes hazards (i.e., projects on surface waves, water level fluctuations, and lake ice) would be eliminated; the Great Lakes Ecosystems Assessment Program would be reduced by eliminating a project on Ecological Succession and Trends. This research provides services to the states surrounding the Great Lakes; those states and the private sector interests which benefit from these studies should assume a greater share of their funding.

Net Entanglement

QUESTION:

I see that funding for debris and fishing gear entanglement studies has been eliminated for 1986. The justification for this is that, and I quote: "the possibility of increased mortality to living marine resources... from entanglement had been a concern to resource managers and was addressed in the FY 1986 studies." Entanglement of marine mammals, birds, turtles and fish is still a very serious problem which needs years of careful study and mitigation procedures, particularly in the area of the high seas gillnet fishery.

What have we learned and accomplished in 1985 and 1986 that has shown the marine debris problem to be solved?

ANSWER:

The NMFS FY 1985 and FY 1986 appropriations for the entanglement program are either committed or being committed to meet the three recommendations of the Hawaii Workshop on the Fate and Impact of Marine Debris: education, information collection and mitigation. Research on the impacts of debris entanglement or ingestion on species that are either conserved or managed by law is in progress (Northern fur seals, Hawaiian monk seals, sea turtles, and seabirds). A marine debris education program restricted to the North Pacific nations is now in progress and is being complemented with technical research on alternate disposal methods and alternate materials utilization. Following a feasibility study in cooperation with the USCG in 1985, cooperative research cruises with Taiwan, Korea, and possibly Canada are scheduled to begin in July 1986 to evaluate the high seas drift gillnet fisheries as a source of marine debris.

This program has in many ways achieved what it had set out to accomplish: the identification of problems associated with discarded or lost fishing gear and other marine debris, the education avenues required, and mitigation means necessary to resolve most of these harmful practices.

QUESTION:

What base programs will NOAA continue to support in this activity, and what is the proposed funding level for FY 1987?

ANSWER:

There will be no base program for FY 1987.

Marine Mammal/Protected Species Research

QUESTION:

What current (FY 1986) marine mammal and endangered species research and management projects would not be conducted if NOAA's appropriation for FY 1987 were frozen at the post-Gramm/Rudman FY 1986 level?

ANSWER:

Marine mammal/endangered species research and management projects which would not be conducted (or conducted at a reduced level) if NOAA's appropriation or FY 1987 were frozen at the post-Gramm-Rudman FY 1986 level include:

- Effort on bowhead recruitment studies and funds for The Alaska Eskimo Whaling Commission (AEWC) would be reduced.

- Degradeable materials and net fouling studies would be canceled.
- Tagging studies on monk seal pups would be reduced.
- Completion of Pacific sea turtle recovery plans would be delayed.
- Fur seal population assessment would be delayed.
- IWC observer contracts would be terminated.
- Turtle biology research would be terminated.
- Aerial census of bowhead whales would be terminated.

Marine Mammal Research: Fur Seals

QUESTION:

Under the Administration's proposed budget, there is an 80% reduction in North Pacific Fur Seal Research. I understand that a cut of this magnitude will essentially end the program. The population is declining by 7% each year, and regardless of whether or not the treaty is ratified, this research is essential to ensure the animals' survival. How can we convince the Japanese and the Soviets to cooperate with the U.S. in Fur Seal Research if we have no program?

ANSWER:

The U.S. fur seal research effort exceeds that of the Soviet Union, Canada or Japan (excluding pelagic research). Under the Administration's proposed budget, analysis of existing data and information, perhaps through the use of enhanced computer modelling, is expected to continue and will lead to further understanding of the causes of the population decline and the relationship between fur seals and their environment. It is in the area of ecosystem dynamics where the U.S. scientific expertise will be of particular value in future cooperative efforts on fur seal research with the Japanese and the Soviets.

Marine Recreational Fishing License

QUESTION:

The Administration is proposing to implement a $10 Federal Marine Recreational Fishing License, with one-half of the receipts to be retained by coastal states. Marine recreational fishermen, numbering over 18 million people in the U.S., make significant use of the fishery resource, catching about 35% of the total finfish harvest used for food. NOAA is proposing the use of a sport fishing license to partially offset the costs of managing and conserving the fishery resources.

In this era of serious reductions in funding for resource management and conservation activities, would it not be more appropriate for the Federal share of this sport fishing fee to be directed back to NOAA's fishery resource programs, rather than being deposited in the general fund?

ANSWER:

It is Federal Government policy that the appropriations process be used to determine priorities for funding programs. In this period of fiscal austerity, all programs are being scrutinized closely for possible funding reductions or elimination. Fishery programs should not be treated differently. Therefore, any funds derived from a marine recreational license fee should be deposited in the general fund and allocated through appropriations.

Weather Service Modernization

QUESTION:

A major component of the weather service modernization is the development of the Next Generation Weather Radar (NEXRAD) program. A significant increase in funding for NEXRAD this year brings the total to $47.5 million in FY 1987.

If the total NOAA budget for FY 1987 were to be frozen at the post-Gramm/Rudman FY 1986 level as recommended by the Senate Budget Committee, or the FY 1987 NEXRAD request is turned down, where will the increase for NEXRAD be found? (Please be specific about where the funding would come from within NOAA if this were an option).

ANSWER:

The competitive development phase of the NEXRAD program will be completed at the end of FY 1986. The increase requested for FY 1987 represents the Department of Commerce's share of tri-agency funds required to initiate the production and deployment phases of the program in FY 1987.

A decision to freeze the NEXRAD budget in FY 1987 at FY 1986 levels ($12.9 million) would have a large impact on current program plans schedules, and expected costs. The production would be delayed while efforts were made to work out new cost sharing arrangements between the participating agencies and revised delivery allocations to agencies based on any revised cost sharing plan. Production delays or stretchouts could result in increases in overall program costs.

Because NEXRAD production funds required in FY 1987 and subsequent years are substantial, the option to fund the program from other resources available to NOAA is not a feasible alternative.

National Weather Service

QUESTION:

Cost savings for the weather service are proposed by consolidating from 4region to a 3-region structure with the closing of the Southern Regional Headquarters in Texas. The responsibilities of the Southern Headquarters would be transferred to the Eastern and Central Regional Headquarters. In your testimony last week before the House Committee on Science and Technology, you stated that these offices provide field managerial support but have no forecasting or data collection responsibilities.

Is there evidence that effective management of a region can be achieved with management offices so far removed from the effected area?

ANSWER:

We believe that effective management can be achieved in a three region structure. Over the past 8 years we have taken steps to make regional headquarters management of remote field offices more efficient and effective. These steps include the introduction of management information systems, conference calling, electronic mail, the exercise of more options for field office contact such as area management meetings and conferences, and the utilization of multi-region administrative service centers. This mode of regional management is maintained in the three region structure and the remaining three regional headquarters staffs will be slightly increased to handle the larger area responsibility. The distance from the farthest field office to regional headquarters is not increased by the reconfiguration of region boundaries.

QUESTION:

NOAA is proposing to eliminate agricultural, fruit frost, and some fire weather services in the FY 1987 budget. The justification for these cuts is that specialized weather forecasts for specific user-groups should be provided by private meteorological firms, rather than by the Federal Government. What is the current availability of such detailed forecasts in the private sector, and has NOAA had contact with private meteorological firms in order to assure a smooth transition of services?

ANSWER:

Many private firms provide meteorological services throughout the country today. Once the Government no longer provides specialized agricultural services, the private sector is expected to readily begin providing such services. We have held a number of meetings and conferences with private firms over the past several years. We plan to accomplish the transition of the agricultural weather services through the holding of a series of workshops to assist the private sector in developing capabilities and market credibility, coincident with a phased termination of NOAA services.

Second Polar Satellite System

QUESTION:

It is my understanding that NOAA will save $56 million in FY 1987 by reverting to a one-polar satellite system. In light of this fact, does NOAA have any plans to participate in NASA's proposed polar-orbiting station or to use other viable alternatives?

ANSWER:

NOAA's FY 1987 budget request does not define the spacecraft design for the satellite series that would follow the NOAA K,L,M spacecraft. Procurement of this series would begin in FY 91 under a one-polar schedule.

QUESTION:

Dr. Calio, you mentioned in your testimony before the House Committee on Science and Technology that soundings would be available from defense polar satellites. Have we always had this back-up capability?

ANSWER:

Yes, but not to the extent of recently developed as an operational capability for using DMSP special sensor microwave/temperature (SSM/T) sounder data for soundings.

QUESTION:

What assurances do we have that in the event that NOAA's satellite failed in a one-polar system that the Defense satellites would be available for information?

ANSWER:

NOAA has a shared processing agreement with Air Force to supply SSM/T sounder data on an operational basis. Currently, we are using a terrestrial link to receive data for backup and development purposes.

QUESTION:

If the above is possible, how long would it be before information would be available from the Defense system?

ANSWER:

In terms of accessing the defense data, we have an operational link currently set up. In terms of "real-time" availability, the SSM/T sounder data would be available for operational use within an hour of the spacecraft's orbit.

Landsat

QUESTION:

What is the status of the Landsat Commercialization?

ANSWER:

The 1987 President's Budget recommends that no further subsidies be provided for Landsat because this program primarily benefits private interests. EOSAT has not yet indicated whether its commercialization efforts will be continued in light of the 1987 budget recommendation.

NURP and Undersea Research Review Panel Findings

QUESTION:

Dr. Calio, at your request a panel was established in September 1985 to examine the nation's needs for undersea research and to review NOAA's undersea research program. What is the status of the panel's report and can you give us an indication of what the of what the findings will be?

ANSWER:

An ad hoc panel of nine individuals with expertise in undersea science and/or technology (chaired by Dr. Feenan Jennings of Texas A&M University) began discussing the need for a national undersea science program last September and has essentially completed their review. I expect a final report on their findings within the next few weeks. I anticipate that their report will play a role in the upcoming deliberations on our program plans and budget for FY 1988 and beyond.

NURP

QUESTION:

NOAA, the NSF, the Navy and other agencies share funding responsibility for the deep submergence vehicle ALVIN and for studies in biomedical research. With the elimination of NOAA's undersea research program the other agencies will have to either pick up NOAA's funding share or curtail research projects and missions in the ALVIN. Why are these activities not considered high priority or central to NOAA's basic mission?

ANSWER:

Primarily, ALVIN missions have focused on hydrothermal vent systems and associated deposits of polymetallic sulfide minerals. NOAA believes that federally supported research over the past several years provides an adequate basis for understanding general seafloor spreading processes related to the formation of polymetallic sulfide deposits. Moreover, the current state of the metals market makes commercial development of these deposits in the near future unlikely.

With respect to biomedical research activities, the National Institutes of Health recently received an appropriation to support research in this area. Consequently, NIH should be able to assume responsibility for supporting the biomedical investigations in question.

Elimination of FY 1986 Restorations and Enhancements

QUESTION:

Once again I see that Congressional restorations and enhancements have been eliminated for FY 1987. I would like to point out that these are funding for programs that Congress specifically considers important to NOAA's missions. Why has this funding been proposed for elimination for FY 1987?

ANSWER:

Funding these programs is not considered an appropriate role for the Federal Government. Instead, other high priority are proposed for funding.

Reprogramming Request

QUESTION:

What is the status of the reprogramming request due to the Gramm-Rudman-Hollings budget reductions?

ANSWER:

The reprogramming request was forwarded to the Congress on May 6, 1986.

QUESTION:

Please provide the Committee with a list of programs that have not received their FY 1986 appropriation to date and the justification for the delay of monies.

ANSWER:

All NOAA programs have received their FY 1986 appropriation now that the funding for the proposed rescissions has been released.

Coastal Zone Management

QUESTION:

As I understand it, Ohio is taking steps to establish a coastal zone management program. How will funding be made available for those states wishing to establish new Federally-approved state coastal management programs?

ANSWER:

No funds will be made available to States wishing to establish new federallyapproved coastal management programs. If states are interested in establishing a program they can pursue program approvability without CZM funding. The State of Virginia is an example of a State that is working towards program approvability without the use of Federal CZM funds.

QUESTION:

What would be the budgetary impact on state coastal zone management programs if the FY 1986 rescission request is approved, or the FY 1987 budget recommendation to eliminate CZM state grants assistance is upheld?

ANSWER:

The statutory time period for the pending rescission has expired and grant applications are being processed. If the FY 1987 budget recommendation to eliminate CZM state assistance grants is upheld, states would not receive Federal funding for their programs.

QUESTION:

How many Federally-approved state coastal zone management programs would be forced to terminate their operations?

ANSWER:

None of the states would be forced to terminate their operations. These coastal management programs are based on State laws. Thus if Federal funding is discontinued, the States will have to provide funding to continue with their programs.

QUESTIONS SUBMITTED BY SENATOR HATFIELD

National Coastal Institute

QUESTION:

The National Coastal Resources Research and Development Institute (P.L. 98-364), funded at $1.25 million in FY 1986, has submitted to the Department their formal budget proposal which is pending before the Commerce Federal Assistance Review Board. How long do you anticipate it will take for that review to be completed and for the Institute to receive their FY 1986 appropriated funds?

ANSWER:

NOAA is closely following the progress of this award through the Department of Commerce clearance process and is making every effort to expedite the review of this award.

QUESTION:

Funding for the National Coastal Resources Research and Development Institute was set at $1.25 million by Congress but was subsequently reduced by about $54,000 by the Emergency Deficit sequestration order this Spring. Do you expect any further reductions in their funding this year?

ANSWER:

The Department of Commerce has recently submitted to Congress a notice of proposed reprogramming to maintain essential services that would otherwise be reduced as a result of the Gramm-Rudman-Hollings Act. As part of that package, the funding for the National Coastal Resources and Development Institute would be reduced by an additional $228,000.

Mitchell Act Hatcheries

QUESTION:

Funds for operation of the Columbia River Mitchell Act hatcheries have not been requested in this year's budget, and instead, legislation is being proposed to transfer operation of those hatcheries to a "non-federal" source. Has that legislation yet been proposed by the Administration? What possible "non-federal" entities are being considered for potential purchase and at what estimated price?

ANSWER:

Alternate funding for these facilities is being sought. The Administration submitted a drafted bill to Congress on February 26, 1985, to direct the Bonneville Power Administration to obtain funds from rate payers for the operation of these facilities. We know of no attempt to sell these facilities as they are state and Federal property. The only facility known to be available is a private salmon hatchery at Springfield, Oregon, that is surplus to the needs of Weyerhauser Corporation.

QUESTION:

While funds for operation of the Mitchell Act hatcheries have always been provided by Congress, funds for general maintenance have not been appropriated. Please describe the types of capital improvement projects requested by the states, the funding level by project and the location.

ANSWER:

General Maintenance--which consists of such things as pond reconstruction; building maintenance (roofs, etc.,) repair of water supplies, and replacement of equipment--is covered in the Hatchery O & M funding. These funds are included in the Congressional appropriation.

Solicitation of state needs occurs annually and is part of our normal operating process. We have just completed new ponds and a new refrigeration building at the Klikitat (Washington) Hatchery ($720K), installed new pond bottoms at the Klatskanine (Oregon) Hatchery ($80K), and installed bird predation screens at the Klatskanine and Beaver Creek (Washington) Hatcheries ($50K).

U.S.-Canada Salmon Treaty

QUESTION:

Please describe in detail the status of issue pending before the U.S.-Canada Salmon Treaty, the pending schedule for meetings to be held this year by the Commission, the Advisory, and the Technical Committees, and a breakdown of the budget request for each of these three elements of the U.S.-Treaty delegation.

ANSWER:

The Pacific Salmon Treaty with Canada, signed on January 28, 1985, included many international fishing agreements for the 1985 and 1986 fishing seasons. Not all management decisions were included in the Treaty for 1986; consequently, the new Pacific Salmon Commission (PSC) had to make a number of important international decisions prior to the 1986 fishing season. On March 7, 1986, the U.S. and Canadian Commissioners agreed on the 1986 fishing regimes and transmitted those agreements to Secretary of State Schultz and B.C. Fisheries Minister Tom Sidden (attached). Also attached is the March 7, 1986, PSC press release, summarizing these decisions.

Even though the 1986 Fraser River preseason fishing agreement was reached between the U.S. and Canada at the March 7, 1986, PSC meeting, the U.S. and Canadian fisheries on Fraser River sockeye and pink salmon are managed on a daily basis by an international staff of scientists reporting to the Fraser River Panel of the PSC. In-season management of Fraser River salmon fisheries requires weekly Fraser Panel meetings, additional phone conferences and accompanying domestic and international negotiations. Enforcement of these regulations requires coordination between Indian tribes, the State of Washington and the U.S. and Canadian governments.

Prior to the 1987 fishing season (March 1987), the PSC has to renegotiate most of the Annexes of the Pacific Salmon Treaty and resolve some outstanding research issues that require developing additional information during the 1986 season. Those issues include: determining the source and size of chinook mortality to assure stock rebuilding rates for chinook salmon (mostly from the Columbia River, but caught in S.E. Alaska and British Columbia) are met; determining a methodology to adjust harvest ceilings resulting from U.S. or Canadian overharvest or underharvest; and deciding on the percentage of the total allowable catch of transboundary river salmon deemed to be of U.S. salmon.

QUESTION:

What would be the legal ramifications to our Treaty obligation if complementary funding were denied (Interior Appropriations Subcommittee) for Columbia River and Pudget Sound salmon monitoring programs?

ANSWER:

The question concerns Pacific Salmon Commission activities funded by the Department of Interior. Recognizing that this budget is prepared and justified by the Department of the Interior, we have attempted to answer the question as best we can from an overall Pacific Salmon Commission point-of-view.

The Pacific Salmon Treaty, its implementing legislation (P.L. 99-5), and the resulting Commission was a carefully constructed partnership, particularly the many-faceted U.S. Section. State, Federal, Tribal and private industry all had important roles in negotiating the Treaty and the implementing legislation. The budget to ensure that the U.S. obligations under the Treaty are met has been prepared in the same way. The State Department funds the U.S. Section costs to travel and the U.S. half of the international staff. The Commerce Department funds the management and research by NMFS and the States of Oregon, Washington, Alaska, and Idaho needed to meet Treaty obligations. The Interior Department funds the management, research and participation by the U.S. Fish and Wildlife Service and the twenty-four Treaty tribes needed to meet Treaty obligations.

If funding were denied for the Department of Interior portion of the Treaty (Columbia River and Puget Sound Salmon Monitoring) the U.S. probably would not be able to meet its international legal commitments under the Treaty nor its domestic legal obligations under the stipulation entered into between the Indian tribes, the States of Alaska, Oregon, and Washington, and the Federal Government in Confederated Tribes v. Baldrige, 605 F. Supp. 833 (W.D. WA 1985).

In reference to the international legal ramifications, the Pacific Salmon Treaty obligates the United States and Canada to conserve and develop the means to equitably share the two countries' Pacific salmon resources. In order to achieve those twin goals, the Commission needs biological information that in most cases is not now available.

The U.S. Section of the Pacific Salmon Commission has developed a coordinated research program for 1987. The program is interdependent. The research will be performed by the state, tribe or

Federal agency best suited in the U.S. Section's view, to carry out the particular program needed.

No single state, tribe or Federal agency is slated to perform all the work needed by the United States to meet its international obligation. Instead, Oregon, Idaho, Washington, Alaska, the twenty-four tribes, U.S. Fish and Wildlife Service and the National Marine Fisheries Service each is expected to perform part of the overall research program. The success of the overall program requires the completion of its components.

Funding to the Department of the Interior, as well as to the other departments is critical to meeting the United States' obligations. The U.S. Section of the Salmon Commission has assigned the Pacific Northwest tribes and the U.S. Fish and Wildlife Service important research responsibilities.

The United States requires biological information to meet its international obligations under the Salmon Treaty. Responsibility for development of part of that information is in the hands of entities funded through the U.S. Department of the Interior. The United States may not be able to fulfill its responsibilities unless those entities are, in fact, provided the sums necessary to perform the research programs.

In reference to domestic legal obligations, it should be noted that failure to fund the Department of the Interior's responsibilities under the Pacific Salmon Treaty would substantially undermine the foundation of the legal stipulation entered into between the tribes, the States of Alaska, Oregon and Washington, and the Federal Government in Confederated Tribes v. Baldrige, 605 F. Supp. 833 (W.D. Wa. 1985). That stipulation settled, during the life of the Treaty, the question whether 19th Century treaties between the United States and certain Pacific Northwest tribes should be construed to apply to the harvest of Pacific Northwest salmon by fishermen operating in Alaskan waters. The tribes' agreement not to pursue this potentially disruptive litigation was secured by the assurance (in the stipulation and Pacific Salmon Treaty Act) that henceforth the tribes would have an equal and effective seat at the table where ocean salmon harvest decisions are made.

Newport, Oregon Lab

QUESTION:

About $180,000 was provided last year for NMFS Newport, Oregon to study the impacts of environmental factors on the behavior of salmon and walleye pollack. Were those funds allocated to Newport for this purpose and what is the status of the research?

ANSWER:

The NMFS environmental research program at Newport, Oregon, was funded at $191,000 ($200K less G-R-H 4.3%) on March 30, 1986. Most efforts will be directed toward setting up laboratory facilities to conduct experimental research. Research on biology and behavior of juvenile groundfish species will begin in January 1987, and salmon research will begin in the summer of 1987.

QUESTION:

What is included in the budget request for annual operation and maintenance of the Newport, Oregon research laboratory? What was the request submitted by Newport?

ANSWER:

1. O & M includes utilities, custodial, security, and system operations (see attachment for details).
2. Budget request for FY 1986 (and preliminary estimate for FY 1987) is $350,000 (see attachment for details).

QUESTIONS SUBMITTED BY SENATOR SPECTER

QUESTION:

In 1985, the Commonwealth of Pennsylvania was particularly hard hit by natural disasters, including tornadoes, hurricanes and severe storms. Is it your opinion that the proposed budget will adequately address the weather information needs of our nation's citizens who are faced with such disasters?

ANSWER:

The Administration's FY 1987 budget reflects a long-term commitment to the modernization of NOAA's National Weather Service. The budget includes funding to procure a nation-wide system of NEXRAD dopplar radars, and continue development of the ASOS and AWIPS-90 programs and procurement of polar and geostationary satellites.

QUESTION:

As you may know, I have introduced legislation in the 99th Congress to adequately fund the Next Generation Radar (NEXRAD). Does your budget adequately provide for the acquisition of NEXRAD?

ANSWER:

With the FY 87 funding level, the NEXRAD program will begin the limited production contractual activity with the selected contractor, continue in-depth site surveys and install the selected contractor's pre-production model at the NEXRAD Operational Support Facility.

A contract for the production of 10 limited production and 162 full scale production units is scheduled to be awarded in February 1987 with the first limited production unit being delivered in February 1989. Based on preliminary estimates provided by the contractors, the cost of the NEXRAD system including full training, documentation, and logistic support, is currently estimated at $600 million; however, the contractors will provide firm fixed proces for a NEXRAD system with their proposal submissions in late May 1986.

QUESTION:

The Envirnmental Protection Agency has given preliminary approval to an ocean incineration proposal, using the City of Philadelphia as a conduit for the operation. What is NOAA's role in this operation? Is NOAA adequately funded to be able to respond in the event of an emergency?

ANSWER:

The Environmental Protection Agency has delayed approval of the ocean incineration proposal until it has completed regulations addressing such issues as the impact on health of sea-based incinerations, financial responsibility for them and procedures for choosing offshore sites. NOAA's role is to provide scientific support to the Coast Guard and provide on-scene coordination during spills of hazardous materials. Adequate funds are available to respond to emergencies.

QUESTIONS SUBMITTED BY SENATOR HOLLINGS

QUESTION:

The Administration has again submitted a budget to Congress for NOAA that proposes dramatic cuts in a variety of programs. The President's request totals $836 million, a cut of 26% from last year's level. What level of funding did you request from the Department of Commerce? What level did the Department forward to OMB?

ANSWER:

For the Operations, Research and Facilities appropriation NOAA requested $1,410,650,000 from the Department of Commerce. The Department forwarded a request of $1,215,201,00 to OMB.

QUESTION:

Please provide fcr the record a table comparing the distibution of NOAA's appropriation between ocean and weather programs from 1981 to 1985, and the amounts estimated for 1986 to 1987.

ANSWER:

The following table represents the distribution, by function, of NOAA's total appropriation requirements, prior to application of financing offsets.

NOAA Budget by Function

(dollars in thousands)

	Oceans/ Fisheries	Climate	Weather	Other	Total
1981	$379,574	$25,909	$365,100	$79,952	$ 850,535
1982	$303,273	$35,742	$447,847	$86,067	$ 872,929
1983	$360,888	$37,992	$518,613	$82,407	$ 999,900
1984	$369,689	$44,242	$585,479	$88,072	$1,087,482
1985	$393,321	$48,016	$797,771	$87,895	$1,327,003
1986	$394,856	$49,393	$695,901	$84,506	$1,224,656
1987 (Pres. Bud.)	$206,267	$45,071	$650,701	$81,840	$ 983,879

QUESTION:

The budget sequestration process in FY '86 would appear to require a cut of some of NOAA's weather forecast and warning services. I understand that a reprogramming request is currently under consideration in the Department to address this issue.

How far along is this request, and please describe the main elements you expect to be included in the request.

ANSWER:

The reprogramming request has been approved by OMB and has been forwarded. NOAA proposes to reprogram $9,230K to prevent programmatically harmful impacts resulting from the implementation of the Gramm-Rudman-Hollings reductions. The reprogramming request will enable NOAA to maintain: essential weather forecast and warning services, fisheries enforcement and surveillance activities, processing and archiving of climatic data and prevent a furlough of employees in these programs. In addition, the reprogramming will continue full funding for important research programs such as the international Tropical Oceans-Global Atmosphere (TOGA) program, Program for Regional Observing and Forecasting Services (PROFS), development of a thermodynamic Profiler, and severe weather and hurricane prediction.

These costs will be covered through a 19% reduction assessed against Congressional add-ons and restorations to the President's FY 1986 budget. The only exceptions are in cases:

1. Where funds have already been obligated;
2. Where the full funding is one-time in nature and required to fullfil Congressional directions; or
3. Where further reductions below the Gramm-Rudman level would necessitate furloughs or RIFS.

QUESTION:

Once again in FY '87, the National Marine Fisheries Service faces a serious reduction in funding (approximately 40%).

Since the Service's work is central to the management of our fisheries under the Magnuson Fishery Conservation and Management Act, I am concerned that this reduction may jeopardize the future of our recreational and commerical fisheries. Even at the current level of funding, the management councils were slow to respond to the problem in the king mackerel fishery because of a lack of research data. With the value of this fishery placed at over $200 million, can we afford further cuts?

ANSWER:

It is not clear that throwing more money at the King Mackerel issue would solve some of the problems inherent in an all too often political process involving two Regional Councils and competing user groups. The management of the Nation's fishery resources and the data needed to support management decisions is the highest priority and NOAA will continue to work with the Regional Councils and commercial and recreational fishing interests to ensure that adequate management measures are adopted. NOAA is working closely with the states and others to provide data on King Mackerel as well as all species that require management. The use of Wallop-Breaux funds by the states to provide data to the National Marine Fisheries Service who then provides computer and data management support is an example of how Federal costs can be controlled while meeting the needs of state and Regional Council management decisionmakers.

QUESTION:

The Administration again proposed a NOAA rescission package that included all unobligated funds for Coastal Zone Management grants and Sea Grant. I understand that the statutory time period for Congressional approval expired last night. Am I correct to assume that later today you will direct NOAA to spend the money as called for in the 1986 appropriation legislation?

ANSWER:

Reapportionment advice releasing the unobligated Coastal Zone Management and Sea Grant funds previously proposed for rescission has been received from OMB.

CZM and Sea Grant award actions obligating those funds will now be processed in a timely and efficient manner in accordance with the scheduled start dates for individual programs.

QUESTION:

I undertand that we are making progress on appointing members to the National Sea Grant Review Panel and that the panel may soon meet to decide on the South Carolina Sea Grant Consortium's application for "Sea Grant College" status. When can I expect the panel to meet?

ANSWER:

Invitations to serve as members of the Sea Grant Review Panel were sent by the Secretary to nine nominees the week of April 9, 1986. Identical letters will be sent to the six other nominees once their security clearances have been completed (anticipate within the next few weeks). I expect the Panel to begin conductng business as soon as the prospective members have agreed to serve and the necessary personnel procedures have been completed.

QUESTION:

We recently approved a reprogramming request to use $800,000 of deobligatged Coastal Zone Management funds to reactivate the OCEANOGRAPHER for work in Alaska. As a part of the request, NOAA asked to layup the PIERCE and the WHITING, both stationed at the Atlantic Marine Center (AMC). In addition, I understand that the MT. MITCHELL is leaving the AMC and moving to the Pacific. With the loss of these three vessels, the capability of the Atlantic Fleet will be substantially reduced. With this understanding, what future plans do you have for the AMC?

ANSWER:

Present nautical charting priorities require assigning the MT. MITCHELL to the Pacific. However, the Atlantic Marine Center (AMC) still plays an important role in NOAA's marine activities. We are proposing to consolidate Miami area ship operations by closing the (leased) Southeast marine support facility and relocating the RESEARCHER from the facility to the AMC. The AMC will also be available for staging mapping and charting work in the Atlantic and Gulf as needed in the future.

NOAA plans to continue operation of the Atlantic Marine Center to support current and future NOAA marine activities.

QUESTION:

I understand the Administration is developing a ridiculous proposal to establish a federal ocean sportfishing license. What is the status of this proposal? Please describe the details of the proposal.

ANSWER:

I believe that the concept of a Federal sportfishing license has considerable merit. It has been seriously discussed on the Hill by fishery interest groups for years. The general taxpayer bears the burden of Federal management of ocean fisheries and it is consistent with the administration policy (and that of states regarding freshwater fishing) that the users should pay more of the costs.

The President's budget proposal is to initiate a Federal ocean sportfishing license in an amount that will return $5 per license to the Federal Government. Each coastal state would issue the license in conjunction with freshwater fishing (or other) license programs. Each coastal state would provide $5 of the license fee to the Federal Government and could assess an additional amount to cover administrative costs and to recover costs of state fishery management programs. The details of various approaches to implementating this concept are being worked out. It is anticipated that an Administrative bill regarding ocean fishing license fees will be proposed to the Congress by this summer.

QUESTION:

The President's budget includes $1 million in new funding for hurricane prediction research. Please describe this program and explain how it will assist the forecasters at the National Hurricane Center.

ANSWER:

The base level for hurricane research is about $2.1M per year.

With a $1M/year increase level over 5 years, NOAA will capitalize on recent and planned scientific and technical advances to improve hurricane prediction:

- Better understanding of hurricane dynamics and processes will be achieved through analysis and synthesis of data collected during the 1985 and future hurricane seasons. The 1985 hurricane season was the most active in decades, with eight storms reaching the U. S. coast. Analysis of this large backlog of data will add valuable insights to the workings and movements of hurricanes.

- New and better hurricane tracking and intensity prediction techniques will be developed by applying new types of in-storm data to tracking and intensity forecast problems.

- A new land based radar data acquisition system has been operationally tested during the January-February 1986 GALE (Genesis of Atlantic Lows Experiment). The new system will be installed during the 1986 hurricane season to provide more detailed and accurate data than heretofore available;

- Doppler radar systems will be added to both NOAA WP-3D hurricane hunter aircraft during 1988. At present, only one aircraft is equipped with a hand-made Doppler radar designed several years ago. The new commercially built radars will include a microcomputer data acquisition system to record and transmit data in real-time to National Hurricane Center forecasters and NOAA researchers;

- A real time data relay system from the aircraft to the National Hurricane Center and to researchers will become available in 1987. More timely ground processing of data from omegadropwindsondes, drifting buoys, expendable ocean current profilers, and the usual aircraft data (wind, temperature, etc.) will improve quality control and promote more rapid use of the data in research and operations;

- A second generation numerical hurricane prediction model will be developed to forecast hurricane intensity and track. The model will be designed to use the new, more dense radar, dropwindsonde, and drifting buoy data now being gathered experimentally. The model will include improved physical relationships developed and being developed by NOAA-Hurricane Research Division and Geophysical Fluid Dynamics Laboratory researchers. The second generation hurricane prediction model should be ready to operate in a research environment in late FY 1991.

QUESTION:

Last year, the Administration's budget called for reductions of roughly $8.1 million in anticipation of savings through NOAA's activities under OMB Circular A-76. These savings were to be achieved by contracting out services now performed in-house. Now that we are more than six months into the fiscal year, what level of savings has been achieved under this program? What levels do you project for the entire year?

ANSWER:

Under NOAA's A-76 program, appropriations have been reduced by $3.1 million and $4.1 million for Fiscal Years 1985 and 1986 respectively. Four studies have been completed this year bringing the total number of studies completed to nine. Three more A-76 reviews should be completed by the end of FY 1986. Of the nine studies completed to date four functions have been contracted-out and five have remained in-house. Savings are achieved by identifing the most-efficient organization for the function under review and then have the Government and the private sector bid to see who can perform the function at the lowest cost to the taxpayer. NOAA will be able to meet its savings target of $4.1 million for FY 1986.

QUESTION:

The Administration's budget proposes conversion to a one-polar satellite system during FY '87. I understand that NOAA maintains that no significant degradation in the quality of weather forecasts will occur as a result of this change. Yet, if under a one-polar system, a satellite should fail, how much time would elapse before a back-up could be launched? What impact would the loss of polar satellite data have on weather forecasting?

ANSWER:

The National Weather Service has evaluated the reduction in the number of polar orbiting weather satellites from two to one. They have estimated that reduction from two to one will cause a small degradation in the skill of forecasts averaged over a season or a year. The effect would likely be negligible in the Northern Hemisphere and probably less than 10% in the Southern Hemisphere.

The likelihood of service discontinuity is believed to be low in a one-polar system. The Atlas launch vehicle has a success rate of approximately 90%; only one satellite (NOAA B) has thus far failed to achieve a useful orbit. Premature failure is less apt to occur in a mature program such as our polar orbiter program than in a satellite program with less experience. We have seen some satellites which have remained active through four or five year periods (NOAA-6; NOAA-7). The probability of launch or premature failure is low. This, combined with a launch schedule of every 18 months and the tendency of satellites to exceed their 24 month design life, allow us to conclude that the risk is "within acceptable levels."

Satellite failure in a one-polar system would cause a data gap, primarily for long-range forecasting, for the civil sector. Part of the gap would be filled with data from the Defense Meteorological Satellite System (DMSP). Though the instruments flown on the DMSP are aimed at meeting the requirements of a different class of user, much of the data is applicable to the civil community. We would also rely more heavily on the quantitative capabilities of the GOES system.

Satellites procured to maintain a one-polar system are scheduled for delivery every 18 months. To reduce program costs for satellite storage and retest, the plan is for satellites to be delivered 6 to 8 months before their scheduled launch. In an emergency it would be possible to accelerate this delivery somewhat (a study would be required to determine actual acceleration potential). Our launching agreement with the Air Force provides for a 120-day call-up capability.

QUESTION:

Last August our staff member was in Hawaii. The Commanding General of the Hawaii National Guard pointed out to him the importance of the data buoys to Hawaii. General Lum said, "Hawaii, unlike the mainland States, is on the frontier of weather and the data buoys are our main source of warnings of emergency conditions."

In view of the vital nature of the data buoys, why is the $600,000 for their maintenance being eliminated from NOAA's budget?

ANSWER:

While data from buoys is useful, data from other sources including satellites and radars are more critical to forecasts and warnings on both a national and local scale. In view of resource considerations and the higher priority placed upon national observing systems, we are focusing our resources on modernization of the national weather service and improvements of public warnings and forecasts nationwide.

QUESTION:

Last year we appropriated funds for the Charleston Seafood Laboratory to prepare purified fish oil for use as test materials by NIH and other health researchers investigating the nutritional benefits of fish oil. Why did the Administration decide not to continue this funding for FY 1987?

ANSWER:

Funding to prepare purified fish oil for use by NIH is not proposed for continuation in FY 1987 because during FY 1986 the Charleston Laboratory will develop the procedures and quality controls necessary to meet NIH standards that industry can then use in FY 1987 and beyond to provide NIH researchers with the quality-verified materials needed to determine the health benefits of fish oil.

QUESTION:

The Saltonstall-Kennedy grant program, funded in recent years at around $9 million, has been responsible for very useful seafood development work in South Carolina and in other coastal states around the county. Given the large amounts of funds that go into development research for other food products through the Agriculture Department, why has the Administration proposed to eliminate this and other development programs for seafood?

ANSWER:

The Administration feels that the best use of the Saltonstall-Kennedy Funds is to offset the appropriation requirements of programs, in this case fisheries research and management programs, that are legitimate Federal responsibilities and that industry should support its own development activities.

QUESTION:

How much of the $125 million we appropriated last year for Landsat has been obligated to date, and what are the plans for obligating the balance?

ANSWER:

NOAA has obligated all of the $125 million appropriated in FY 85. From this amount, $35 million was transferred to NASA for Shuttle launches and $90 million was obligated to EOSAT to cover their accrued costs through FY 86.

QUESTION:

Dr. Calio, last year in response to a question I submitted to you about Landsat subsidies, it was indicated that "Landsat can achieve commercial success with a one-time 'investment' by the Government of $286 million." Congress provided $125,000,000 last year but the Department now says that it will request no further subsidies for Landsat commercialization.

How will the difference of $161,000,000 between your estimate of $286,000,000 and the $125,000,000 appropriated, be derived?

ANSWER:

The original estimate for the commercialization of Landsat was $295 million. The Administration has determined that no further subsidies should be provided over the $125 million appropriated in FY 85 because Landsat primarily benefits private interests. The private sector, not the Federal Government, should be underwriting the costs of Landsat. If the private sector wishes to continue Landsat, it can do so by augmeting the $125 million with its own financing.

QUESTION:

Does the Department still believe that Landsat is economically viable?

ANSWER:

Yes, however the test of economic viability is whether EOSAT or other aerospace companies, who will benefit from Landsat data sales, are willing to invest their own funds for a Landsat system independent of Government subsidy.

QUESTION:

According to P. 15 of NOAA's Budget Summary Book:

The Administration believes that Landsat should be the private sector's responsibility; continued provision of Landsat services primarily benefit private interest, e.g., oil companies, and should not be subsidized by U.S. taxpayers.

How will the recent troubles in the oil industry impact on the viability of Landsat?

ANSWER:

We do not know what the impact of troubles in the oil industry will have on Landsat.

QUESTION:

Is the termination of the Landsat subsidies the first step towards giving NOAA's land remote sensing requirements to the French SPOT Image system?

ANSWER:

We are not "giving" the "remote sensing business" to the French. We pioneered remote sensing for thirteen years via Landsat. The Administration has determined that subsidizing Landsat is not an appropriate Federal role. That the French choose to begin their own subsidies does not change our position. We are focusing our space program resources on efforts which will have the greatest benefit for the U.S. as a whole, and also eliminating unnecessary programs in order to restore the U.S. fiscal health.

QUESTIONS SUBMITTED BY SENATOR INOUYE

PEACESAT: Use of GOES Satellites

QUESTION:

My staff has recently held discussions with NOAA regarding the potential use of certain frequencies on the GOES 2 satellite, after it is replaced in June, by the PEACESAT program in the Pacific. I realize that NOAA has some reservations regarding this idea, and I certainly understand their concerns. I would like to stress, however, the significance of this program as a highly effective and valuable source of information and cultural exchange in the Pacific Basin.

By providing low-cost, low-tech communication in an area where it is otherwise unavailable, PEACESAT has helped sustain adequate levels of education, health care, and technically based services to the people of the Pacific. However, PEACESAT has been severely set back recently by the demise of the ATS-1 NASA satellite, leaving the program without a satellite or frequency to operate on. That is why I raise this issue with you, to urge NOAA to work with NASA to explore all possible avenues available to provide a satellite and a useable frequency for use by this valuable program.

Fisheries Management Councils

QUESTION:

Last year the Administration floated a plan to consolidate the eight Regional Fisheries Management Councils and in so doing eliminate the Western Pacific Council. At that time I expressed my deep concerns regarding this idea, and Dr. Calio said he would assure that the consolidation would not take place. Now I understand that the plan to consolidate the Councils is being considered again. If this indeed is the case, I urge you to reconsider this move.

The current council system allows for close contact between the councils and their local fishing constituencies, thus facilitating hands on management and an efficient and responsive system. In the case of the Western Pacific Council, despite currently being unable to manage its largest resource--tuna--it has been of great assistance in the on-going negotiations with the South Pacific Islands over tuna fishing licences. The Council has also been a key participant in the development of fisheries in the Pacific with an outstanding program. To eliminate this Council would be a giant step backwards in the efforts to promote and manage Island fisheries. It would also minimize the U.S. presence in Pacific fisheries, which with the signing of the recent Russian-Kirbati fisheries agreement, would certainly trouble the State Department. Please inform me of your plans regarding the Councils, and specifically the Western Pacific Council?

ANSWER:

Following the meeting of the Council Chairmen at Hilo last year, NOAA agreed to seek a two-year reauthorization of the Magnuson Act with relatively minor amendments not addressing the makeup of the

Councils. During the two-year period, NOAA would commission two studies: one to examine the NOAA/Council relationship and one looking broadly at the way we manage fisheries in the United States. On the basis of those studies and public comment, the Administration would then revisit the Magnuson Act. One of these studies has been completed and public comments are being reviewed. The other study is nearing its end and should be available for public comment in early July. In the interim, NOAA has not been considering proposals affecting the Council structure.

TOGA/El Nino

QUESTION:

The Administration's budget for NOAA also sharply reduces funding for the TOGA project, both in the TOGA account and the GARP account. This project, as you know, is part of a 15 nation global effort to understand and predict the El Nino weather phenomenon which was responsible for millions of dollars of damage and loss of human lives three years ago. The cuts proposed by the Administration would result in a 50% reduction in the observational program in the Pacific, as well as a severe weakening of the entire global monitoring network. To withdraw our commitment to the project at this point would seriously damage its credibility internationally, undermine our leadership role in the effort, and halt the significant progress that has been made in the past three years. Could you please explain the Administration's rationale behind hindering the advancement of this important and far reaching effort?

ANSWER:

The amount requested for TOGA will allow NOAA to maintain an observation program in the Central and Eastern Pacific. About 80 percent of this network has been installed with completion planned by the end of 1986. Many other nations are joining with the United States in support of TOGA. At the present time nine countries are supporting TOGA activities in the Pacific. At least two others are about to join. The proposed reduction of TOGA funds will be accommodated in part through decreased external support to universities and private laboratories and increased support from other countries because they also benefit from the program.

Global Ocean Observation

QUESTION:

Global Ocean Observation programs may well prove to be the key to improving long term weather forecasting and global weather modeling, providing--among other things--immeasureable benefits for the international maritime community. Currently, NOAA has several programs which are essential to this effort, TOGA being the most prominent. How is NOAA coordinating the efforts to TOGA and the other related programs? Are these efforts further coordinated with NSF, NASA, and the international community? Is this coordination adequate or do gaps occur? How can this coordination be improved?

ANSWER:

a) The NOAA TOGA Project Office coordinates the efforts of TOGA with other related ocean climate research programs through joint participation in program reviews, by collaboration between TOGA and other programs' principal investigators, and through interagency representation in the Project Office and advisory panels. In addition, a comprehensive, coordinated research strategy has been developed for TOGA by subjecting the ENSO (El Nino/Southern Oscillation) Scientific Plan to a series of reviews and revisions by the scientific community, many of whom are involved in other related programs.

b) NSF, NASA, and ONR have assigned Associate Program Directors to the TOGA Project Office to coordinate their agencies' programs and resources with the NOAA TOGA effort. The basis for a strong International TOGA Program has been laid. The World Meteorological Organization has established a mechanism for coordinating and managing the international effort. The United States also has bilateral arrangements with the ERFEN (Estudio Regionale del Fenomino El Nino) countries of South America, Australia, New Zealand, France, and the Peoples' Republic of China (PRC) to coordinate all observing programs being conducted in the Pacific. The PRC has a representative assigned to the TOGA Project Office.

c) With the emergence of a strong international program, most gaps in TOGA coordination have been filled, i.e. the Pacific effort has always been well coordinated; but now it is hoped that other countries will become involved in the Atlantic and Indian Ocean efforts.

d) The U.S. agencies have been cooperating and working well together on TOGA and related programs, so little improvement is necessary. The international coordination is still in its infancy, so it is still too early to assess what improvements may be necessary.

Hawaii Data Buoys

QUESTION:

The Administration's budget for FY 1987 proposes to cut $600,000 planned for maintenance of the new weather buoys in Hawaiian waters, thus rendering these advanced buoys useless. Could you please explain the rationale behind investing more than $2 million over the past three years to install these buoys and then not using them?

ANSWER:

The information from the weather buoys in Hawaiian waters plays a useful role in the warnings and forecasts for the Hawaiian Islands. NOAA normally operates two GOES satellites, which allows adequate coverage for the Hawaiian Islands. The value of the two GOES satellite coverage is that it allows for a lower priority of the Hawaiian Island buoys. These buoys were operating for a time when NOAA had one GOES satellite, thus limiting the coverage of the islands. Since a new GOES weather satellite is now scheduled for an October 1986 launch, it was felt that the Hawaiian weather buoys could be terminated without reducing the quality of warnings and forecasts for the islands in FY 1987.

A substantial portion of the moneys invested in these buoys over the past three years remains in reusable hardware such as the buoys and mooring lines, additionally a portion of the funds has provided useful observations from these buoys during the satellite outage.

Hawaii Undersea Research Lab (HURL)

QUESTION:

Last year Congress included fund in the NOAA budget to provide for a new submersible system for the Hawaii Undersea Research Lab (HURL). This year, level funding will be needed to complete the new system and operate it in FY 1987. This new system offers exciting breakthroughs in undersea research in the Pacific, especially with regard to the harvest of deep seabed deposits of cobalt-rich manganese crusts. Considering that the Administration embraces efforts to investigate this resource through a joint project between the State of Hawaii and the Department of Interior, and in light of your recent comments in Hawaii describing undersea research as "an important third dimension" in NOAA's efforts, it seems contradictory that the funds for HURL and its essential research in this area are deleted from the NOAA budget. Could you please respond?

ANSWER:

Most of the activities currently supported by the National Undersea Research Program, including those at Hawaii, will primarily benefit state and local interests. As a result, NOAA believes the State of Hawaii and private sector beneficiaries should assume responsibility for funding the HURL facility.

Mesoscale/PROFS

QUESTION:

In recent years, Congress has added funding to the NOAA budget for Mesoscale Convective Precipitation Systems research and the Program for Regional Observing and forecasting Services (PROFS). These programs have been instrumental in improving short term severe weather forecasts and warnings, thus saving millions of dollars and numerous lives. This year the Administration budget contains no funding for Mesoscale, and reduced funding for PROFS. If Congress again sees fit to include additional funding to bring these programs back to FY 1986 levels, how would NOAA use these funds?

ANSWER:

The proposed FY 1987 budget supports a mesoscale research program at roughly $4.7 million and would maintain the core PROFS facility. We believe that the overriding need to reduce the Federal deficit and support higher-priority near-term technology improvements for the National Weather Service, supports the deferral of analysis of data collected during 1984 and 1985 field experiments. Eventually, this data will be synthesized to yield improved understandings of the atmospheric processes which take place before and during mesoscale convective formation and the development of intense thunderstorms, hail, strong winds, and tornadoes.

Coastal Zone Management

QUESTION:

In the Administration Budget Summary, the rationalization for terminating the CZM program and rescinding $36 million in FY 1986 grants to states is that all states desiring to participate in the CZM program are now doing so, and that responsibility for the program should be turned over to its "beneficiaries." Considering Ohio's recent moves towards entering the CZM program, and the fact that 10% of this nation's coastline remains out of the program, should not the program be continued to allow new states to enter? Also, do you not believe that there are on-going national benefits resulting from CZM program and the management of the national coastline that transcend the costs and benefits of individual states?

ANSWER:

All eligible states had the opportunity to receive Federal funds to develop federal-approved coastal management programs. The State of Ohio received $1.7 million for this purpose. States are able, as indicated by Virginia, to use their own resources to seek Federal approval. While there are national benefits to balanced coastal management, the primary beneficiaries to coastal management are the residents of the individual states. Therefore, states should take responsibility for the operation costs of these programs.

Ocean Services

QUESTION:

Last year NOAA released an ocean services alternative to the previously planned Ocean Service Centers. What progress has been made in implementing this plan, especially with regard to NOAA port and customer referral services? How will these initiatives be funded and when will they be in place?

ANSWER:

The ocean service plan that was released by NOAA in September 1985 as an alternative to the plan for the establishment of Regional Ocean Service Centers had four components:

- o the enhancement of ocean data collection.
- o the upgrade of National Centers (i.e., NOAA National Meteorological Center-NMC, Navy/NOAA Joint Ice Center-JIC, and Navy Fleet Numerical Oceanography Center) to provide new ocean data and guidance products.
- o the establishment of a NOAA Port to provide near real-time data and products to users.
- o the establishment of a Customer Referral Service to provide public access to NOAA's archived data and products.

Progress towards implementing the plan has proceeded as follows:

Data Collection

An ocean data collection unit has been established. Since September 1985, the deployment of semi-automated meteorological/oceanographic sensors, known as the Shipboard Environmental Data Acquisition System (SEAS), has more than doubled to 51 units deployed. In addition, the unveiling of an improved version of the SEAS is scheduled for

September 1986 that will double the number of SEAS in the inventory.

National Centers

A unit has been established at the Fleet Numerical Oceanographic Center (FNOC) to derive benefit from the Navy's numerical forecast models for the civilian community. An ocean products development group is in place at NMC to enhance ocean numerical forecast models. A digital image processing system is under development at the Joint Ice Center to permit improvement of operational ice advisory and forecast capabilities. Completion is scheduled for early 1988.

NOAA Port

A NOAA Port project outline has been drafted to provide for the establishment of a limited operational NOAA Port ADP/communications system in late 1987. In anticipation of an increased communications load, an upgrade of the communications computers at NOAA's National Meteorological Center has been initiated. Completion is scheduled for summer 1986. To facilitate the incorporation of FNOC numerical model output into the NOAA Port product suite, a NOAA mini-computer will be installed at FNOC in late 1986.

Customer Referral Service (CRS)

A CRS plan is under review. The CRS training program for referral specialists will be initated in September 1986. A NOAA product information catalog to support the trainees is being compiled. The development of an electronic referral system that will facilitate the dissemination of user information will be initiated in late 1986.

MARINE MAMMAL COMMISSION

STATEMENT OF WILLIAM E. EVANS, PH.D. CHAIRMAN, MARINE MAMMAL COMMISSION

ACCOMPANIED BY:
JOHN R. TWISS, JR., EXECUTIVE DIRECTOR
DONALD C. BAUR, GENERAL COUNSEL

BUDGET REQUEST

Senator RUDMAN. We will have as our next witness this morning, Dr. William E. Evans, Chairman of the Marine Mammal Commission, if Dr. Evans and his associates would like to join us at the table.

The budget request for the Commission for fiscal year 1987 is $848,000 compared to a Gramm-Rudman-Hollings level of $861,000 in 1986.

Dr. Evans, we welcome you and are pleased to have you here. We will place your entire statement in the record. You may proceed to summarize it as you wish.

Dr. EVANS. Mr. Chairman, Members of the committee, my name is William E. Evans, and I am Chairman of the Marine Mammal Commission. With me today are John R. Twiss, Jr., Executive Director; Donald C. Baur, General Counsel; and David W. Laist, Policy and Program Analyst. Dr. Robert Hofman, who is normally with us as our Research Program Director, is in Tasmania for discussions relating to the Antarctic.

SUMMARY OF STATEMENT

As you mentioned, I would like, with your permission, to summarize the statement, as we do have the full statement in the record. Last year, we focused our fiscal year 1986 efforts on reducing the incidental take of marine mammals and other marine life in lost and discarded fishing gear and other debris; continuing to implement the Hawaiian Monk Seal Recovery Plan, the Southern Sea Otter Recovery Plan and the Convention on the Conservation of Antarctic Marine Living Resources; developing and implementing recovery plans for right whales and other endangered cetaceans; and evaluating marine mammal habitat and coordination of marine mammal research being conducted or supported by federal, state or other agencies.

STEPS TO MEET 1986 OBJECTIVES

To meet these fiscal year 1986 objective; we have taken a number of steps.

We have advised the National Marine Fisheries Service on actions needed to document and resolve incidental take problems. We have participated in developing U.S. positions for the 22d Session of the International Maritime Organization's Marine Environment Protection Committee.

This January, the Commission helped develop an approach for bringing about U.S. ratification of Annex V of the International Convention for the Prevention of Pollution From Ships. Last month, we reviewed and provided advice on the National Marine Fisheries Service's proposed entanglement program for fiscal year 1986.

Our efforts to implement the Hawaiian Monk Seal Recovery Plan, the Southern Sea Otter Recovery Plan and the Convention on the Conservation of Antarctic Marine Living Resources are described in detail in the Annual Report. Earlier this fiscal year, we commented at length to the National Marine Fisheries Service on a draft plan for managing bottomfish and seamount groundfish in areas which include parts of the Hawaiian monk seal range. We made the original recommendations on critical habitat for the monk seal, and we are anxiously awaiting the National Marine Fisheries Service's final determination on designation of monk seal critical habitat.

SEA OTTER PROGRAMS

We devoted a full day of our recent annual meeting to a cooperative review with State and Federal agencies of ways to prevent or reduce the incidental take of sea otters in gill and trammel net fisheries. We also reviewed efforts to implement a plan for establishing sea otter colonies outside the present Southern sea otter range, while preventing the expansion of sea otters into areas where they could have significant adverse effects on commercial or recreational fisheries.

We also held a workshop in San Francisco March 26–28 to determine what needs to be done to better document and prevent or reduce the economic and biological impacts caused by interactions between fisheries and marine mammal populations, especially in California coastal waters.

The workshop report will be used as a basis for developing and seeking agreement on a cooperative State-Federal plan for effectively dealing with this very, very serious problem.

ANTARCTICA

Antarctica is an issue of increasing importance. The Convention on the Conservation of Antarctic Marine Living Resources is now in force. We played a key role in preparing background and position papers for the fourth meeting of that Commission and its Scientific Committee, which were held last fall.

Dr. Hofman participated as deputy U.S. representative to the Antarctic Commission. We recommended in December that the Antarctic Policy Group endorse the plan for research which the National Oceanic and Atmospheric Administration developed to satisfy the Antarctic Marine Mammal Living Resources Convention Act of 1984, and we are working with the Department of State and the National Marine Fisheries Service to prepare for meetings in 1986.

HAWAIIAN MONK SEALS

The National Marine Fisheries Service has developed and implemented recovery plans for the Hawaiian monk seal and other endangered and threatened species. It has, however, not done so for right whales, bowhead whales, humpback whales and other endangered cetaceans occurring in U.S. waters.

RIGHT WHALES

To encourage development of a prototype recovery plan for endangered whales, we supported two workshops in 1985, one on the status of and threats to the remnant right whale population in the northwest Atlantic, and the other on actions needed to monitor the population trends and essential habitats.

In December, we sent our report of the workshops to the National Marine Fisheries Service and recommended that they adopt the described research and management plans as a preliminary right whale recovery plan.

Also, we again recommended that they develop recovery plans for other endangered whales in U.S. waters.

The Commission also helped sponsor and participated in a recent workshop to identify actions necessary to protect right whales and their calving grounds. The National Marine Fisheries Service recently advised us that they are again scheduling a meeting of agency representatives in Woods Hole and will discuss development and implementation of a right whale research plan.

PROTECTION OF MARINE HABITATS

Commercial exploitation and takings incidental to fisheries have been among the primary threats to marine mammals. Steps are being taken to more effectively regulate commercial exploitation and incidental take, and it is likely that habitat degradation, rather than direct taking, may be the major, long-term threat to many mammal populations.

In an effort to assess what should be done to identify and protect critical habitats, we contracted for a comprehensive bibliographic review of literature on marine and coastal area protection. We are reviewing the draft report and identifying factors to be considered in developing an overall strategy to address the problem.

FLORIDA AND ALASKA

Earlier this fiscal year, we met with officials of the State of Florida and the Department of the Interior for further land acquisition programs for areas of habitat critical to the Florida manatee.

In fiscal year 1985, 28 percent of our research budget was devoted to preparing research and management recommendations on selected species of marine mammals in Alaska. Draft reports on all but one of the selected species have been completed and reviewed. The final report will provide useful guidance to both State and Federal authorities.

CONTINUED REVIEW OF MARINE MAMMAL PROGRAMS

We continue to review and make recommendations on marine mammal programs conducted by Federal and State agencies. We have: provided policy guidance for the United States at the International Whaling Commission; convened the workshop on marine mammal/fisheries interactions in California, as mentioned previously; recommended that the National Marine Fisheries Service and the Commission write and help implement a long-term conservation plan for the North Pacific fur seal, a very critical issue; recommended that the National Marine Mammal Laboratory convene a meeting to review bowhead whale research planned to be carried out in 1985 and to coordinate bowhead whale research to be carried out in 1986; and consulted with the National Marine Fisheries Service on research and monitoring programs assessing incidental taking impacts on harbor porpoise off California. We have continued discussions with the Service on assessing the effects of human activities on bottlenose dolphins in the Southeastern States, and we have continued our efforts to encourage the National Marine Fisheries Service to meet its congressional mandate to undertake a monitoring program of porpoise stocks in the eastern tropical Pacific which was not done in 1985 or 1986.

These and other efforts are described more fully in our annual report.

In 1987, we will continue to meet our statutory responsibilities by recommending to the Secretaries of Commerce, Interior and State needed actions to protect and conserve marine mammals and their habitat.

We will coordinate academic, State, Federal and international research and study efforts to prevent wasteful, duplicative research, publishing the results of research and studies programs in which specific problems bearing upon marine mammal protection and conservation are addressed; recommend actions on the issuance of permits to take marine mammals for public display and scientific research; recommend to the Secretaries of Commerce and Interior actions on requests for waivers of the moratorium for taking and return of management authority to States; and recommend U.S. positions relative to international negotiations affecting marine mammals and participate in those negotiations.

We are going to focus on assessing and preventing the adverse effects of marine mammal/fisheries interactions on both marine mammal populations and the involved fisheries; implementing recovery plans for the Hawaiian monk seal, the Southern sea otter, and the West Indian manatee; facilitating the development of recovery plans for right whales, humpback whales and other endangered whales in U.S. waters; developing and implementing a strategy to identify and protect important marine mammal habitats on a worldwide basis; facilitating successful propagation of bottlenose dolphins and other marine mammals in captivity; facilitating the development of economical methods of assessing and monitoring the status of marine mammal populations and their habitats; and improving planning and coordination of marine mammal research and management activities being conducted or supported by Federal or State agencies and other organizations.

Available money will be used for program reviews, planning meetings, and other activities necessary to identify possible problems and solutions to those problems. And we should continue to work closely with involved State and Federal agencies, international organizations, industries and public interest groups.

We have been instrumental in developing domestic policies to protect and conserve marine mammals and providing guidance with respect to the development and implementation of international agreements affecting marine mammals and the ecosystem of which they are a part.

We have done a great deal of work in trying to bring about the return of management to States, especially Alaska. We are working with State agencies to protect and conserve marine mammals and their habitats by assuring that research needs and programs are defined clearly, planned, and coordinated so as to obtain needed information quickly and economically and by exercising our overview responsibilities to assist agencies in addressing critical conservation issues. We also seek to ensure that agencies enforce the provisions of the act, and we provide an overview of activities conducted pursuant to the Act.

Our 1987 estimates in the Marine Mammal Commission's fiscal year budget request of $848,000 emphasizes our oversight and policymaking role. While this request reflects a reduction in our current funding levels, it does allow for full operation of the Commission and provides $18,000 for priority research projects in support of our oversight role.

Thank you very much.

[The prepared statement of Dr. Evans follows:]

PREPARED STATEMENT OF WILLIAM E. EVANS, PH.D.
CHAIRMAN
MARINE MAMMAL COMMISSION

Good morning, Mr. Chairman and Members of the Committee. My name is William E. Evans, and I am Chairman of the Marine Mammal Commission. With me today are: John R. Twiss, Jr., Executive Director; Donald C. Baur, General Counsel; and David W. Laist, Senior Policy and Program Analyst. I regret to say that Dr. Robert J. Hofman, our Scientific Program Director, is now in Tasmania for discussions relating to the Antarctic.

FY 1986 to Date

When we appeared before you last year, we said that we would focus our FY 1986 efforts on: reducing the incidental take of marine mammals and other marine life in lost and discarded fishing gear and other debris; continuing to implement the Hawaiian Monk Seal Recovery Plan, the Southern Sea Otter Recovery Plan, and the Convention on Conservation of Antarctic Marine Living Resources; developing and implementing recovery plans for right whales and other endangered cetaceans; evaluating essential marine mammal habitat; and improving planning and coordination of marine mammal research being conducted or supported by the Minerals Management Service, the National Marine Fisheries Service, the Fish and Wildlife Service, and other organizations.

To meet these FY 1986 objectives, we have already taken a number of steps.

With regard to incidental take in lost and discarded fishing gear and other debris, we have advised the National Marine

Fisheries Service on necessary actions to better document and resolve incidental take problems. We also participated in developing U.S. positions for the 22nd Session of the International Maritime Organization's Marine Environment Protection Committee this past December during which a number of matters related to the at-sea discard of plastics and other debris were considered. In January, the Commission helped develop an approach for bringing about U.S. ratification of Annex V of the International Convention for the Prevention of Pollution from Ships. This Annex prohibits at-sea disposal of potentially hazardous fishing nets, lines, and other such non-degradable materials. Last month we reviewed and provided advice on the National Marine Fisheries Service's proposed entanglement program plan for FY 86.

Our efforts to implement the Hawaiian Monk Seal Recovery Plan, the Southern Sea Otter Recovery Plan, and the Convention on the Conservation of Antarctic Marine Living Resources are described in detail in our recent Annual Report. Earlier this fiscal year, for example, we commented at length to the National Marine Fisheries Service on a draft plan for managing bottomfish and seamount groundfish fisheries in areas which include parts of the Hawaiian monk seal range. As you may recall, we made the original recommendations on critical habitat for the monk seal, and we now await the National Marine Fisheries Service's final determination on designation of monk seal critical habitat.

With regard to the southern sea otter, the Commission, our Committee of Scientific Advisors, and the senior staff devoted a full day of our recent annual meeting to a cooperative review with State and Federal agencies of ways to prevent or reduce the incidental take of sea otters in gill and trammel net fisheries. At that time, we also reviewed efforts to develop and implement a plan for establishing one or more sea otter colonies outside the present southern sea otter range while preventing the expansion of sea otters into areas where they could have significant adverse effects on commercial or recreational fisheries.

On a related subject, we held a workshop in San Francisco on March 26-28 to determine what needs to be done to better document and either prevent or reduce both economic and biological impacts caused by interactions between fisheries and marine mammal populations in California coastal waters. This was done in consultation with affected fishermen, the California Department of Fish and Game, involved Federal agencies, and members of the environmental community. The Workshop report, expected to be completed in early May, will be used as the basis for developing and seeking agreement on a cooperative State/Federal plan for effectively dealing with the problems.

Antarctica continues to be an issue of great importance. The Convention on the Conservation of Antarctic Marine Living Resources is now in force, and we played a key role in preparing background and position papers for the fourth meetings of that Commission and its Scientific Committee which were held last fall. Dr. Hofman, now in Tasmania on Antarctic business, also participated as deputy U.S. representative to the Antarctic Commission. In consultation with our Committee of Scientific Advisors, we recommended in December that the Antarctic Policy Group endorse the plan for directed research which the National Oceanic and Atmospheric Administration developed to satisfy the Antarctic Marine Living Resources Convention Act of 1984. We are now working with the Department of State and the National Marine Fisheries Service to prepare for a number of meetings in 1986 including those of the Living Resources Commission and its Scientific Committee.

The National Marine Fisheries Service has developed and implemented recovery plans for the Hawaiian monk seal and some other endangered and threatened species under its jurisdiction. However, it has not done so for right whales, bowhead whales, humpback whales, or other endangered cetaceans occurring in U.S. waters. To encourage development of a prototype recovery plan for endangered whales, we supported two workshops in 1985--one on the status of and threats to the remnant right whale population in the northwest Atlantic, the other on actions needed to monitor the population trends and essential habitats and actions needed to eliminate and mitigate threats to affected populations and habitats. In December, we sent our report of the workshops to the National Marine Fisheries Service and recommended that they adopt the described research and management plan as a preliminary right whale recovery plan. At the same time, we again recommended that they develop recovery plans for other endangered whales in U.S. waters. The Commission also helped sponsor and participated in a recent workshop to identify actions necessary to protect right whales and their calving grounds. The Service recently advised us that they are scheduling a meeting of agency representatives next month in Woods Hole to discuss development and implementation of a right whale research plan.

With some exceptions, commercial exploitation and takings incidental to fisheries have been the primary threats to marine mammals. Steps are being taken to more effectively regulate commercial exploitation and incidental take and it now seems likely that habitat degradation, rather than direct taking, may be the major long-term threat to many marine mammal populations. In our efforts to assess what should be done to identify and protect critical habitats, we contracted for a comprehensive bibliographic review of literature on marine and coastal area protection. We are now reviewing the draft report to identify factors to be considered in developing an overall strategy to address the problem. Earlier this fiscal year, we met with officials of the State of Florida and the Department of the Interior to further land acquisition programs for areas of habitat critical to the Florida manatee.

In Fiscal Year 1985, 28% of our research budget was devoted to preparing research and management recommendations on selected species of marine mammals in Alaska. Draft reports on all but one of the selected species have been completed and reviewed. The final comprehensive report, expected to be completed before the end of the year, will provide useful guidance to both State and Federal authorities.

As required by law, we continue to review and make recommendations on marine mammal programs of the National Marine Fisheries Service, the Fish and Wildlife Service, the Minerals Management Service, and other Federal agencies. Among other things already done this fiscal year, we have: (1) provided major policy guidance on the International Whaling Commission; (2) convened the workshop mentioned previously on marine mammal/fisheries interactions in California; (3) recommended that the National Marine Fisheries Service and the Commission cooperatively constitute and convene a group of scientific and resource management experts to write and help implement a long-term conservation plan for the North Pacific fur seal; (4) recommended that the National Marine Mammal Laboratory convene a meeting to review bowhead whale research carried out in 1985 and to coordinate bowhead whale research planned to be carried out in 1986; (5) consulted with the National Marine Fisheries Service on research and monitoring programs to assess incidental taking impacts on harbor porpoise off California; (6) continued our discussions with the Service on assessing the effects of human activities on bottlenose dolphins in the southeastern states; and (7) continued our efforts to encourage the National Marine Fisheries Service to meet its Congressional mandate to undertake a monitoring program of porpoise stocks in the eastern tropical Pacific.

These and other efforts are described more fully in our Annual Report.

Objectives for FY 1987

We shall continue to meet our statutory responsibilities in Fiscal Year 1987 by:

- recommending to the Secretaries of Commerce, Interior, and State needed actions to protect and conserve marine mammals and their habitat;
- helping coordinate academic, state, Federal, and international research and study efforts to increase yields and prevent wasteful, duplicative research;
- managing and publishing the results of a research and studies program in which specific problems bearing upon marine mammal protection and conservation are addressed;
- recommending to the Secretaries of Commerce and Interior actions on the issuance of permits to take marine mammals for public display and scientific research;
- making recommendations to the Secretaries of Commerce and Interior on requests for waivers of the moratorium on taking and return of management authorities to states; and
- making recommendations on United States' positions relative to international negotiations affecting marine mammals and participating in those negotiations.

While meeting these responsibilities, we shall focus on: assessing and preventing or reducing the adverse effects of marine mammal/fisheries interactions on both marine mammal populations and the involved fisheries; effectively implementing recovery plans for the Hawaiian monk seal, the southern sea otter, and the West Indian manatee; facilitating the development of recovery plans for right whales, humpback whales, and other endangered whales in U.S. waters; developing and implementing a strategy to identify and protect important marine mammal habitats worldwide; facilitating successful propagation of bottlenose dolphins and other marine mammals in captivity; facilitating the development of more economical methods of assessing and monitoring the status of marine mammal populations and their habitats; and improving planning and coordination of marine mammal research and management activities being conducted or supported by Federal agencies, state agencies, and other organizations.

Available money will be used for program reviews, planning meetings, and other activities necessary to identify possible problems and solutions thereto. As in the past, we shall work closely with involved states, Federal agencies, international organizations, industries, and public interest groups.

Conclusions

Over the years, we have, among other things, been instrumental in: developing domestic policies to protect and conserve marine mammals; providing guidance with respect to the development and implementation of international agreements affecting marine mammals and the ecosystem of which they are a part; developing biologically-sound and legally constructive approaches to requests for waivers of the moratorium on taking and the return of marine mammal management authority to states, particularly Alaska; working with state agencies to facilitate protection and conservation of marine mammals and their habitat; assuring that research needs are defined clearly and that research programs are planned and coordinated so as to obtain needed information as quickly and as economically as possible; objectively exercising our overview responsibilities to assist agencies in addressing critical conservation issues; insuring that agencies seek to enforce the provisions of the Act; and providing an overview of activities conducted pursuant to the Act.

FY 1987 Estimate

The Marine Mammal Commission's FY 1987 budget request of $848,000 emphasizes our oversight and policy making role. While this request reflects a reduction in our current funding levels, it does allow for full operation of the Commission and provides $18,000 for priority research projects in support of our oversight role.

NOAA CUTS ON MAMMAL RESEARCH

Senator RUDMAN. I just have a couple of questions. NOAA is proposing to reduce research on marine mammals and other protected species from $6.7 million in 1986 to $3.5 million in 1987. I assume that you have a view about the impact of these cuts.

Dr. EVANS. I think the impact would be somewhat devastating. We are dealing with at least two or three major programs which will be heavily impacted. One is the bowhead whale program which is a very important priority in the Alaskan Eskimo situation and also the fur seal program in which we must look at the declining population of the North Pacific Fur seal and the northern sea lion.

These programs will, for all practical purposes, disappear. This would have very serious long-range implications. I believe, they have zero budgeted the Marine Mammal Laboratory. I think that has some very serious long-range implications which I would like to refer to John Twiss.

Senator RUDMAN. We have some limited time. I really have your answer on the record.

When you said it was devastating, that is really quite good enough for me.

Dr. EVANS. It is.

DOLPHIN POPULATION MONITORING

Senator RUDMAN. They are also proposing $800,000 for dolphin population monitoring in the eastern Pacific in association with the tuna packing industry. Are you aware of this, and do you support it?

Dr. EVANS. Yes, sir, very much so, and in fact, as I tried to allude to in my testimony, I have been somewhat disappointed that this program did not get off the ground in 1985 or in 1986, as was mandated by Congress.

We have urged the Service to start a program and actually spent a lot of time in 1985 and 1986 in planning with them what we feel is a very good program.

Senator RUDMAN. Have they been working with you, with some of the moneys that we have allocated to them in the area of the impact of netting and other debris that they were supposed to develop, with your concurrence. Has that been done?

Dr. EVANS. Yes, that has been done, and we have reviewed the recent program plan sent out by Mr. James Coe of the National Marine Fisheries Service. It is an excellent report, and I think we are making some real progress in that.

FISCAL 1987 RESEARCH BUDGET

Senator RUDMAN. Your research budget for 1987 is $18,000. That is compared to $200,000 in 1986 and $300,000 in 1985.

I guess my question is: What can you do with $18,000? Might it not be better to leave marine mammal research with the National Marine Fisheries Service?

Dr. EVANS. What we can do with $18,000 is essentially nothing except meet basic statutory requirements. As far as leaving all of the money with the National Marine Fisheries Service, I think I would like to make the point that one of the strong aspects of the Marine Mammal Commission has been the fact that we have been able to make rapid and economic responses to issues .

If you look in the records of the last 4 or 5 years, there have been two oil spills, one on the east coast, and one on the west coast, that the Marine Mammal Commission responded to by photographically tracking the spill. Our quick response capability has allowed us to use research moneys in areas that the National Marine Fisheries Service, frankly, can't react to fast enough to handle.

Second, I think it allows us to try to look at new techniques and new technologies and allows these to be applied in some areas to improve the effectiveness and the efficiency of the research we do.

MARINE MAMMAL POLICY

Senator RUDMAN. Finally, I want to ask the role of your Commission in developing the marine mammal policy that is carried out by the Departments of State and Commerce. Are you advisory? Can you be adversarial? Do you affect the regulatory process? What is your function?

Dr. EVANS. John can correct me if I wander off on this, but I think it is a little bit of all of those. I look at it as being advisory, and oversight, and in some cases, making sure that we do not have duplication of effort. We are dealing with very serious problems with populations of animals that are very important to all of us and very important to the total ecosystem and marine systems in general, in which slight changes could cause some very serious problems.

Because of the human interaction problem, it is very serious. I believe that we serve a very critical function in dealing with situations like the fur seal and also in dealing with the International Whaling Commission, mainly because we can tap into all of the expertise within the academic community very rapidly. We have all of the experts in marine mammals in the entire country basically at our beck and call if we need to use them.

Senator RUDMAN. I take it from your answer that if there is a policy being developed you would totally disagree with, you would not have a problem with taking that policy on?

Dr. EVANS. No, sir; we would not have any problem with that at all.

Senator RUDMAN. I think that ends the questions, and we thank you very much for coming here this morning.

Dr. EVANS. Thank you very much.

SUBMITTED QUESTIONS

Senator RUDMAN. Members have additional questions to be submitted for your response. They will be inserted in the record at this point.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR RUDMAN

1. For fiscal year 1986 the Congress provided $500,000 for research on right whales in the North Atlantic. Are you working with NOAA and the National Marine Fisheries Service in the implementation of this research program?

Answer: The Marine Mammal Commission has sponsored and been a participant in several meetings which led to the development of a series of proposals for work on right whales, and Commission representatives have continued to meet with National Marine Fisheries Service representatives to discuss program needs and priorities. The Commission believes there should be intensified consultation during the final planning stages and implementation.

2. In 1986 the Congress provided $750,000 to NOAA to study the impact of discarded netting and other debris on marine mammals, sea birds, sea turtles, and fish of commercial value. However, we directed the program be developed with the concurrence of the Marine Mammal Commission. Has a program been developed with consultation by the Commission?

Answer: There has been full consultation on the issue of net entanglement. Although the National Marine Fisheries Service's performance was decidedly under par with respect to program development under the appropriation preceding the one in question, the Service's program manager for the entanglement issue is now in charge and is doing a careful job. There is no comparison between the performance of the National Marine Fisheries Service in dealing with the fiscal year 1985 appropriation and that of fiscal year 1986. If the same program manager remains in place, we would expect the Service to deal effectively with any fiscal year 1987 appropriation as well.

3. A great deal of the Commission's research activity over the past few years has been in Alaska. Is there any special reason for this beyond the relatively large numbers of marine mammals in Alaska?

Answer: There are several. First, as you note in your question, there are probably more marine mammals in Alaska than in any other part of the country. Second, it is only in Alaska that there are substantial native harvests of marine mammals. Third, there are important questions surrounding the status of several of the species which are harvested. For example, the bowhead whale is an endangered species and the North Pacific fur seal has continued to decline for a number of years for reasons that have not been fully explained. Fourth, the interrelationship between marine mammals and fisheries is one of great importance to Alaskans on the commercial, subsistence, and sport fishing levels. Fifth, there is a relationship with foreign fisheries (e.g., the Soviet Union, Japan, Taiwan, and Korea) that does not exist elsewhere and must be factored into marine mammal considerations. Sixth, the Commission recommended to the National Marine Fisheries Service and other agencies that attention be focused on net entanglement in the North Pacific as a means of addressing the problem there and so as to serve as a prototype for addressing the entanglement issue elsewhere. Seventh, while the State of Alaska has made some attempts to resume management of marine mammals, management remains in Federal hands. Because of the ofttimes confusing situation that this has created, the Commission has invested substantial amounts in analytical projects to facilitate proper management be it by either Federal or State agencies. In short, the range of problems affecting marine mammals in Alaska is probably greater than in any other state.

QUESTIONS SUBMITTED BY SENATOR WEICKER

1. What portion of the $848,000 requested for fiscal year 1987 is for research and related activities?

Answer: Eighteen thousand dollars of the amount requested is for research and related activities.

2. Are there any research projects the Commission would not be able to support at this funding level?

Answer: This question is probably best answered by a review of the "Research and Studies Program" chapters from our annual reports for the past four or five years. Virtually none of the research of the type described in these chapters could be carried out at this funding level. In short, there would be no research program for the Marine Mammal Commission.

3. As you know, NOAA has requested $800,000 for FY 1987 to initiate a five-year program for dolphin monitoring in the eastern tropical Pacific. What is the Commission's position on this program, and what are your recommendations for designing and implementing it?

Answer: The Commission believes that this amount of money is necessary to meet the Congressional mandate to undertake such a program. With respect to development and implementation of that program, members of the Marine Mammal Commission, the Committee of Scientific Advisors on Marine Mammals, and the staff have all conferred from time to time with representatives of the National Marine Fisheries Service, the industry, and the environmental community to discuss planning. These consultations continue and our final recommendations on design and implementation will be tailored to reflect budgetary considerations.

QUESTIONS SUBMITTED BY SENATOR SPECTER

1. What is the extent of the Commission's activities in the Commonwealth of Pennsylvania?

Answer: Professor William Medway, D.V.M., Ph.D., a member of the faculty of the College of Veterinary Medicine at the University of Pennsylvania, served with distinction as a member of the Marine Mammal Commission's Committee of Scientific Advisors between October 1982 and October 1985. Dr. Medway is well known as one of a small number of authorities on marine mammal health and medicine in the world.

Aside from Dr. Medway's involvement, there has been no interaction between the Marine Mammal Commission and the Commonwealth of Pennsylvania. This is, in fact, true for most inland states where Marine Mammal Commission involvement has been limited to reviewing applications for permits to take marine mammals for purposes of either public display or scientific research.

2. Do budget cutbacks in any way curtail these activities?

Answer: Given the extremely limited nature of our involvement in Pennsylvania, our activities have not been affected.

SUBCOMMITTEE RECESS

Senator RUDMAN. The subcommittee will stand in recess until 9:30 tomorrow when we will hear from the Attorney General.

[Whereupon, at 11:04 a.m., Wednesday, April 16, the subcommittee was recessed, to reconvene at 9:30 on April 17, 1986.]

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